

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

Funding the State and Local Hospitalization Program

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



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PREFACE

Senate Joint Resolution 87 (1986) directed the staff of the Joint Legislative Audit and Review Commission to review the formulas used in the State and local hospitalization (SLH) and cooperative health department (CHD) programs. This report contains the staff findings and recommendations for revising the formula used to fund the SLH program.

The current formula allocates State appropriations to localities on the basis of population. Localities may choose to participate in the program by matching State funds. Revision of the current SLH funding formula has been discussed for more than ten years. The funding formula for the SLH program is clearly outdated. It does not account for program goals such as equal access to needed services, or the equitable distribution of funding responsibility for the program across localities.

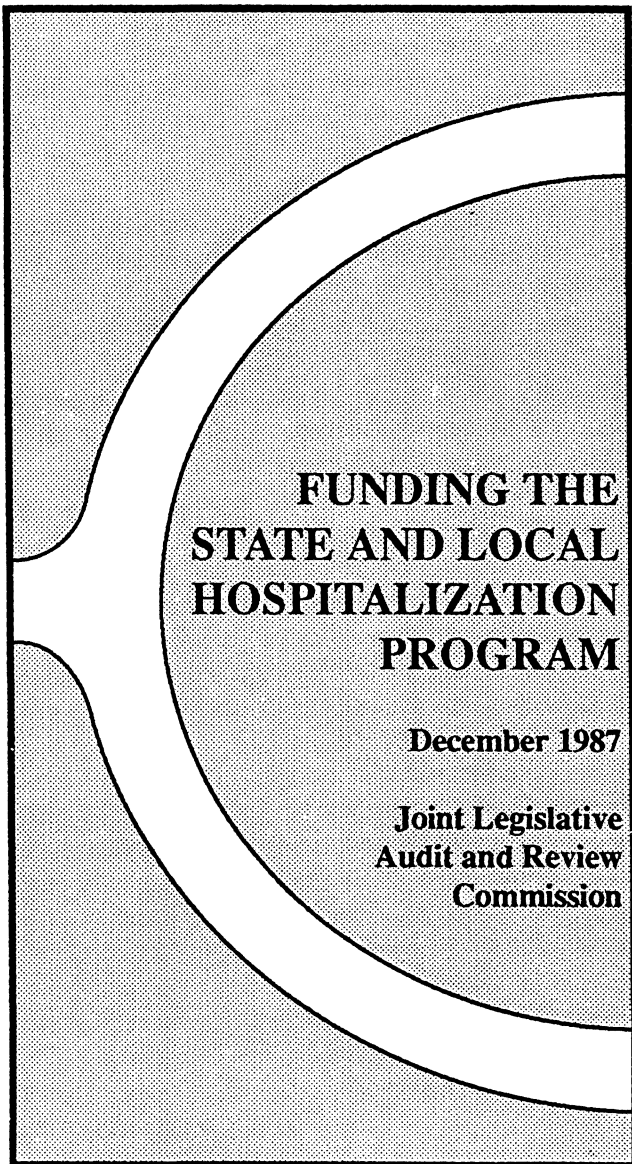
This report includes a measure to represent need for program-reimbursed hospital services and several options for distributing funding responsibility between the State and localities. The options are based on local revenue capacity and represent a significant improvement to the current funding formula. They provide a framework to address current inequities and make improvements to the funding system.

On behalf of the JLARC staff, I wish to thank the Department of Social Services and the local SLH authorizing agents for their cooperation and assistance during the course of this review.



Philip A. Leone
Director

December 21, 1987



Senate Joint Resolution 87 (SJR 87), passed by the 1986 session of the General Assembly, directed JLARC to study the formulas used to distribute funds for the State and local hospitalization program (SLH), and the State and local cooperative health department program (CHD). The resolution instructed JLARC to make recommendations for formula revisions and to include cost estimates for alternative plans.

This report reviews the current funding formula for the SLH program. It includes the identification of SLH program costs, the methods for calculating the local shares of the program costs, and methods for distributing the State and local responsibility for program funding. The JLARC review of the CHD funding formula is contained in a separate report.

The Current Formula Has Limitations

The SLH program was established in 1946 by the General Assembly to provide hospitalization to indigent and medically indigent persons. "Indigent" generally refers to people whose income places them at or below the poverty level. "Medically indigent" generally refers to people who become impoverished due to the medical expenses they have incurred.

The Department of Social Services (DSS) distributes appropriated SLH funds to all local governments on the basis of population. Local government participation in the SLH program is voluntary. The State finances 75 percent of program operations, while localities finance 25 percent.

A JLARC REPORT SUMMARY

The current formula has several limitations: (1) allocating funds based on population does not reflect need for the program, (2) some localities choose not to participate in the program, (3) some localities do not fully match their State allocation for the program, (4) localities must expend local funds before requesting reimbursement from the program reserve fund, and (5) reserve funds are used to meet routine demand for reimbursed program services.

The SLH funding formula has come under frequent scrutiny by the General Assembly, and several studies have been made of the program over the course of its 40-year history. A variety of study groups and legislative proposals have attempted without success to bring about changes to the formula.

The Funding Process Should Address the Goals of Equal Access and Tax Equity

The funding of any State program is designed to promote certain goals. The success of the program itself is often dependent on how well the methods used to fund the program help to achieve those goals. When funds are distributed unfairly, or inequitably, the program goals cannot be effectively achieved.

In evaluating the various methods by which the State could fund the SLH program, two primary goals were considered: equal access to

needed program services, and tax equity. The goal of equal access can be promoted by the explicit recognition of program costs to meet the need for hospital-related services by eligible indigent residents. Tax equity can be achieved by ensuring that the proportion of resources required from local governments to fund hospital-related services does not vary greatly across localities.

More Can Be Done to Achieve Equal Access

Current SLH program expenditures do not adequately promote equal access goals. Eligibility requirements and reimbursable services vary across localities, and local participation in the program is not required. In addition, program expenditures do not account for the cost to meet the total demand for SLH services experienced in localities that participate in the program. Many localities deplete their allocated State funds. They may not have the fiscal means to match State SLH reserve funds to meet the needs of their indigent residents.

An analysis of costs to fund the SLH program revealed that several changes to the program structure are necessary to promote equal access to needed hospital-related services.

Recommendation (1). *The General Assembly may wish to amend Section 63.1-139 of the Code of Virginia to require the use of uniform eligibility criteria developed by DSS for the SLH program. Such criteria should establish specific resource and income criteria, and should take into account cost-of-living variations in different parts of the State.*

Recommendation (2). *The General Assembly may wish to direct the Department of Social Services to develop mandatory minimum service requirements for the SLH program. These should stipulate that every locality submit a program plan biennially. These service requirements should also specify (a) the types of services which should be offered and are reimbursable by the program, (b) whether or not funds can be used to supplement other payment sources, (c) the number of days to be covered by reimbursement, and (d) procedures for reviewing requests for additional coverage.*

Recommendation (3). *The General Assembly may wish to amend §63.1-135 of the Code of Virginia to require that all cities and counties in the Commonwealth of Virginia participate in the SLH program.*

The achievement of equal access is also dependent on the extent to which program costs are recognized by the State, and whether or not these costs are included in the distribution system for the program. SLH program costs should cover the cost to meet the need for program-reimbursed services by eligible applicants.

Because an assessment of the health status of indigents was not undertaken during this review, it was difficult to determine the need for program services in each locality. The lack of uniform eligibility for the program, and the diversity of the target population also made it difficult to determine who is eligible to receive services under the SLH program.

For these reasons, a measure of the minimum demonstrated level of demand for the program was developed using paid SLH applications and applications that had been rejected for reimbursement because local SLH funds had been depleted. Demand for the program was estimated in localities that did not participate in the program during FY 1985 or FY 1986.

Recommendation (4). *DSS should require all localities participating in the SLH program to collect and monitor SLH applications that are rejected because SLH funds have been depleted. Information on the number of days requested for reimbursement, the estimated cost of the reimbursement, and the type of service received should be collected for each rejected application. These data should be reported to DSS on an annual basis. DSS should use these figures to estimate costs for the SLH program biennially.*

Implementing a Reserve Fund for the SLH Program

The current funding structure of the SLH program includes a \$1,000,000 annual reserve fund. Only about 14 localities make use of the reserve fund on a regular basis to meet the demand for the program in their localities. A more efficient and equitable cost calculation and distribution system should alleviate the need for a reserve fund to meet routine program demand.

Recognizing the cost to meet program demand will help reduce locality use of the current reserve fund for the program. However, because program demand may be a conservative estimate of the need for the program in some localities, a reserve fund would be useful as a way to offset emergency or extraordinary circumstances that lead to heavy program usage. A reserve fund

could be used to relieve extraordinary demands for services on a situational basis in some localities.

Recommendation (5). The General Assembly may wish to appropriate \$500,000 for use as an annual SLH reserve fund. Use of this reserve fund should be restricted to "extraordinary" demands for program services. The current reserve fund should be reduced only if future appropriations recognize costs to meet routine demand for SLH in all localities.

The Department of Social Services should establish criteria explicitly defining (a) the types of extraordinary demand eligible for reserve funds, (b) how reserve fund disbursements are to be made, (c) how the amount of the disbursements are to be determined, and (d) when the disbursements are to be made.

More Can Be Done to Achieve the Goal of Tax Equity

SLH program funds are distributed to each Virginia locality based on the local population. The current distribution formula does not promote tax equity because it does not account for the ability of each locality to raise revenues to pay for the SLH program. The current funding formula used to distribute SLH funds to localities is clearly outdated. This report sets forth two alternative formulas based on local revenue capacity for determining local ability to pay for the SLH program. These alternative formulas will ensure that tax equity is achieved through the funding for the program.

Revenue capacity is a measure of the revenue-generating capacity of a locality, if statewide average tax rates are applied to each local tax base. The measure can be used to determine the local shares for the SLH program by converting it to a ratio which shows each locality's relative ability to generate revenues. The ratio is calculated by dividing each locality's per-capita revenue capacity by the statewide per-capita revenue capacity.

The first alternative formula for determining local shares of SLH program funding is based on the local revenue capacity ratio. This formula can be used to require a statewide local share of 25 percent (as it is now), or 50 percent. The

maximum share for any individual locality can also be set at either 25 or 50 percent. The formula ensures that localities with the greatest abilities to pay bear appropriate responsibility for funding the program. Localities with lesser abilities to pay are provided with greater State assistance in funding the program.

The second alternative formula for determining local shares is also based on the revenue capacity ratio for each locality. However, each locality's share is adjusted to reflect the adjusted gross income of local residents in relation to statewide adjusted gross income. Adjusting the local revenue capacity ratio for income recognizes that localities with residents who have lower incomes may have greater difficulty in taxing at statewide rates. The second formula can also be used to require a statewide local share of either 25 or 50 percent.

SLH Cost Estimate and Distribution Options

The JLARC staff review of SLH funding resulted in the development of several cost estimates to provide various levels of service reimbursement through the program funding. While nine cost estimates were developed for funding the program, only one cost estimate was used to demonstrate how the formula distributes funding responsibility between the State and localities. This cost estimate includes an amount of funding necessary to provide SLH reimbursement for inpatient, outpatient surgical, and nonsurgical outpatient and emergency services in all Virginia localities. The total State and local cost for the 1988-1990 biennium under this estimate is \$26.1 million. All of the distribution options presented in this report are based on this cost estimate.

The cost estimates developed for the program provide a more accurate measure of the need for the program. The formulas presented to determine local shares account for local ability to pay for the SLH program. Both formulas are based on revenue capacity, and represent significant improvements to the current formula. A more accurate program cost estimate and equitable distribution formula will ensure that the goals of equal access and tax equity are promoted through a revised distribution system.

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I. INTRODUCTION

Senate Joint Resolution 87 (SJR 87), passed by the 1986 session of the General Assembly, directed JLARC to study the formulas used to distribute funds for the State and local hospitalization program (SLH), and the State and local cooperative health department program (CHD). The resolution instructed JLARC to make recommendations for formula revisions and include cost estimates for alternative plans.

This report reviews the current funding formula for the SLH program. The report includes the identification of SLH program costs, methods for calculating the State and local shares of the costs, and methods for distributing local funding responsibility across localities. The JLARC review of the CHD funding formula is contained in a separate report.

Study Approach

A funding formula can be used for several purposes. It can provide the State with rational criteria for determining who should pay for program services, and how much they should pay. It should also take into account the funding necessary for a program to achieve its stated goals. This can be accomplished by explicit recognition of certain costs associated with the program, and by ensuring that these costs are included in the distribution scheme.

The evaluation of various methods by which the State could fund the SLH program focused on the accomplishment of three main goals: (1) to develop cost estimates that promote the achievement of equal access to hospital-related services by the appropriate clients, (2) to promote the equitable distribution of local funding responsibility for the program across localities, and (3) to preserve a funding arrangement in which the State and localities share the responsibility for financing the program.

Assessing Need for the SLH Program. Traditionally, many goals for indigent health care are based on concepts such as equal access. Most concepts of equal access include, among others, broad goals such as the provision of (1) equal opportunity to obtain hospital-related services, (2) equal availability of services, (3) similar resources for the care of people with similar health needs, and (4) easily obtainable care. However, several existing constraints precluded an evaluation of the need for the SLH program based on some of these concepts of equal access.

First, there is no consensus on how to measure equal opportunity to obtain hospital-related services, or what elements should be included in such a measure. Most available measures of need are based on health status indicators, such as perinatal death rates, morbidity rates, or mortality rates. Unfortunately, no single measure appears to be an adequate gauge of the need for SLH services, or the appropriate types and levels of service for which the program should provide reimbursement.

In addition, there is little statutory guidance regarding which types or levels of services are considered most appropriate for local agencies to provide through SLH reimbursement. Given this lack of guidance, it would have been necessary for JLARC staff to evaluate community health needs in the State, and the effectiveness of the local SLH programs in meeting them. While this is a worthy objective, it would constitute an immense undertaking well beyond the scope of SJR 87.

Finally, identifying the need for the program was problematic because the population benefiting from the program is diverse. The SLH program is targeted to indigents who are not eligible for Medicaid and to the medically indigent population (those who are categorized as indigent after spending a certain amount of their assets to pay their medical bills). A single measure that incorporated the diverse needs of broad target populations for a variety of services could not be developed within the scope of this study.

Research Activities. Three primary research activities were undertaken to develop alternative cost estimates and to design a distribution formula as required by SJR 87. The first activity focused on developing a measure to represent the minimum demonstrated demand for the program. Local decisions related to administering the program and program expenditures provided the data for developing a baseline measure of program demand. Alternative cost estimates were then developed to explore the impact of various policies related to funding of the program.

The second research activity involved examining alternatives for achieving equity in local funding responsibility. The current funding formula does not consider the ability of a locality to generate revenues to pay for the SLH program. A key component of this study involved developing the best possible measure of each locality's ability to generate revenues to pay for the SLH program.

The final research activity was an analysis to explore how the costs of the program should be distributed between the State and localities. The results of this analysis are the proposed distribution options presented in the final chapter of this report.

Report Organization

This chapter has provided background information on the study mandate and approach for evaluating the SLH formula. Chapter II provides more detailed information on the SLH funding formula and program operations. Legislative concerns are also outlined in the second chapter. Chapter III examines the costs associated with the provision of the SLH program. It presents an approach for estimating these costs and identifies alternative costs for providing the program.

Chapter IV describes the JLARC staff calculation of local shares to fund the program. Local taxable resources are identified, and an analysis of how those resources can be used to provide indigent health care services is presented. Chapter V builds on Chapter III and IV to determine the portion of the SLH program costs which should be paid by the State and localities.

II. OVERVIEW OF THE SLH PROGRAM

The State and local hospitalization program (SLH) was established in 1946 by the General Assembly to provide hospitalization to indigent and medically indigent persons. "Indigent" generally refers to people whose income places them at or below the poverty level. "Medically indigent" generally refers to people who become impoverished due to the medical expenses they have incurred. Section 63.1-139 of the *Code of Virginia* defines the medically indigent resident as "a person who is a bona fide resident of such county or city, who did not establish such residency for the purpose of obtaining the benefits of this chapter, whether gainfully employed or not and who, either by himself or by those upon whom he is dependent, is unable to pay for the hospitalization or treatment required."

The Department of Social Services (DSS) distributes appropriated SLH funds to all local governments on the basis of population. The State finances 75 percent of the program operations, while localities finance 25 percent. Local government participation in the SLH program is strictly voluntary; during FY 1987, 75 counties and 29 cities, representing slightly more than 90 percent of the State population, participated in the SLH program (Figure 1). During this same period, the program was not provided in 23 counties and nine cities.

This chapter is an overview of the SLH program. The first section discusses concerns regarding the program and the current funding formula. Services reimbursed by the program and specific information on funding the program are also presented.

Legislative Concerns

Since its establishment, the SLH program has come under frequent scrutiny by the General Assembly, and several studies have been made of the program over the course of its 40-year history. However, only limited changes to the program have been implemented. Consequently, many of the criticisms aimed at the SLH program almost 30 years ago are valid today.

The Virginia Advisory Legislative Council (VALC) examined the SLH program in 1960 and identified two primary problems: (1) differences existing in the eligibility criteria used by localities in administering the program, and (2) the failure of some localities to fully match their allocations. The VALC rejected the concept of a State-controlled plan for the program, but the council advocated an increase in the State appropriation for SLH and the establishment of State eligibility guidelines.

Legislative concern regarding the methods used to distribute State aid to localities led to another examination of the SLH funding formula in 1977. The Commission on State Aid to Localities proposed varying the local portion of SLH funds from 20 to 50 percent, depending on local ability to pay. Ability to pay was to be based on a formula which included measures of relative incidence of need, tax effort, and fiscal ability. While this proposal was rejected by the 1978 session of the General Assembly, the State share of

program costs was eventually increased from 50 to 75 percent effective July 1, 1980.

A 1979 JLARC report entitled Inpatient Care in Virginia assessed the SLH program and found the following:

- the program was not uniformly accessible to medical indigents across Virginia, and
- problems identified in 1960 still existed, and were exacerbated by the rise in hospital costs.

In addition, the study identified several options for addressing the problems associated with the program: (1) termination of the program, (2) creation of a uniform State program, (3) use of SLH funds as a direct subsidy to hospitals, (4) establishment of mandated eligibility requirements, or (5) a change of the formula to include indicators of ability to pay, and variation of the local shares.

The current study mandate, SJR 87, evolved from a 1986 report of the Joint Subcommittee Established to Study Alternatives for a Long-Term State Indigent Health Care Policy. This subcommittee recognized problems with the SLH program, such as absence of equal access to services across the State, lack of uniform eligibility criteria, poor local fiscal conditions affecting SLH participation, and the distribution of funds on the basis of population. In addition, problems in distributing reserve funds were identified.

These problems will be addressed by the construction of an alternate distribution formula. The rationale and methods used to construct this alternate formula are contained in the following chapters of this report.

Services Reimbursed by the SLH Program

The operations of the SLH program are authorized by Title 63.1 Chapter 7 of the *Code of Virginia*. The program functions primarily as a reimbursement program, offered by the State and localities to hospitals that provide specific inpatient and outpatient services for the indigent and medically indigent populations. Funds from the SLH program may provide inpatient hospitalization, outpatient (ambulatory) surgery, and outpatient and emergency room treatment at contracted hospitals and State and local health department clinics.

During FY 1986, 4,343 clients received SLH inpatient services, such as surgical, medical, obstetrical, or diagnostic treatment, at an average daily reimbursement cost of \$364.45 per patient. Outpatient surgical services were provided to more than 200 clients at a daily cost of \$241.45 per patient. More than 17,000 outpatient and emergency room visits were made by SLH clients at a cost to the program of \$15.00 per visit.

DSS issues program guidelines for localities to use in administering the SLH program. These guidelines set forth the services that can be reimbursed by SLH, and the criteria to determine eligibility for the program. They are not binding on local programs, however. Each participating locality

may establish its own process for providing SLH funds within the DSS guidelines for the program. Figure 2 illustrates the process generally followed by localities to provide SLH funds to the indigent and medically indigent populations.

Service Plans. After examining the programs in participating localities, JLARC staff found several problems which negatively affected the achievement of equal access to needed services. For the most part these problems arise from the non-binding nature of the program guidelines issued by DSS, and the lack of service plans by localities participating in SLH.

First, not all participating localities offer inpatient, outpatient surgical, and nonsurgical outpatient and emergency room services. During FY 1986, for example, only 25 percent of the 101 participating localities made reimbursements for all of these services. Local programs may decide to eliminate or cover certain services at their discretion from one year to another. This results in inconsistent service levels to Virginians in need of such services.

SLH coverage of reimbursable inpatient days also varies by local program. In addition, some local SLH programs may provide funds to cover deductible costs for Medicaid and Medicare patients, as well as services which may not be covered by these programs. For example, Medicaid limits hospitalization coverage to 21 days. If a Medicaid patient exceeds this limit, in some localities the SLH program may cover the cost of services.

Eligibility. Few eligibility requirements for the SLH program are mandated by the State. No Virginia resident who is ineligible for public relief can be denied service coverage under the SLH program. However, some portion of the resident's assets must be expended on medical bills. This results in a SLH classification as medically indigent. Anyone admitted to the Medical College of Virginia (MCV) or the University of Virginia Hospital (UVAH) who is a recipient of financial assistance under the provisions of Title 63.1 of the *Code of Virginia* is automatically eligible for SLH coverage. (This would include anyone receiving public assistance from General Relief funds.) DSS issues guidelines for localities to use in determining client eligibility. However, as is the case with program guidelines, eligibility guidelines are not binding, and many localities develop their own criteria.

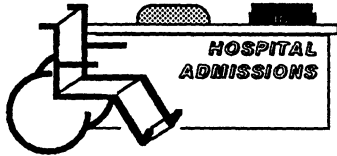
All but 11 localities that participated in the SLH program during FY 1986 use one of three guidelines in determining client eligibility: (1) DSS criteria, (2) Medicaid standards with an increase in the percentage of the poverty income level, or (3) Virginia Department of Health (VDH) guidelines. For individuals whose incomes exceed these scales or who have access to other resources to cover their medical care costs, partial coverage may be made available for part of the hospitalization period. In such cases, SLH coverage may begin only after the individual has used the available surplus income to pay for hospital care.

A survey of localities participating in SLH during FY 1986 revealed that a majority of local programs (71 of 101) used the income scale established for the SLH program to determine eligibility. Three other localities used a modified version of the SLH scale. Eleven localities used the modified

Figure 2

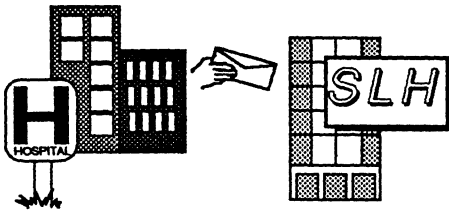
Service Delivery to Clients in the SLH Program

Step 1



Admission to Hospital (*Emergency or Pre-Planned*)
Hospital admitting personnel or eligibility workers evaluate patient's insurance coverage, income and resources, and ability to pay.

Step 2



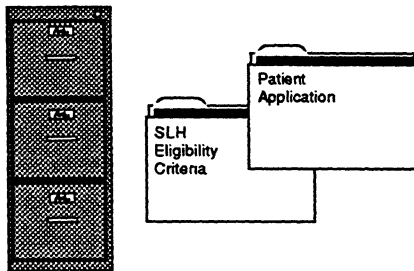
Hospital Referral to SLH
(*Patients Meeting Local SLH Eligibility Criteria*)
Contracting hospital submits referral to local SLH program within locally specified time limit after admission or discharge.

Step 3



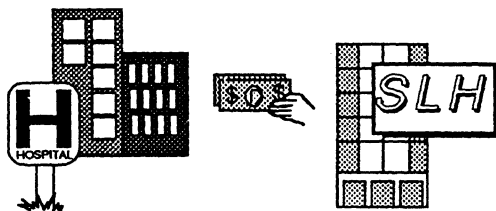
Patient Application (*Patient or Family Member*)
Formal Application made at local SLH office within time limits set by locality. Failure to meet time limit results in application being dropped.

Step 4



Determination of Medical Indigency
(*Local SLH Program*)
Patient's income and financial resources and eligibility for other assistance programs are assessed, and hospital services are reviewed in order to determine if patient and services meet local eligibility criteria.

Step 5



Payment for Services Approved or Denied
(*Local SLH Program*)
Local SLH program approves or rejects patient's application and notifies contracting hospital of its determination.

Source: JLARC illustration of SLH service delivery process.

Medicaid-type scale, four used various definitions of current poverty level, and three used VDH scales. Eleven programs used other income scales. For example, three localities established their own income standards.

Eligibility determined by any income scale is largely dependent on the extent to which a prospective client's resources are evaluated. Of the 101 localities participating in SLH during FY 1986, 46 evaluated eligibility by considering all of the prospective client's resources. Sixteen localities relied on resource limitations set by Medicaid, and eight used criteria established for the Aid to Dependent Children program (ADC). Almost a third of the 101 participating localities considered some of the client's resources, although the resources that were considered varied dramatically across localities.

This diverse use of income standards may result in situations in which clients with similar characteristics are treated quite differently. Because localities may have different eligibility criteria, it is possible for one locality to deny coverage to an individual because the client does not meet certain criteria, while in the next locality it is possible that the same client would receive coverage under the SLH program.

This variation in criteria makes it difficult to uniformly identify the population eligible to receive SLH reimbursement. Consequently, the total cost of SLH to be distributed between the State and localities could only be estimated.

Funding the SLH Program

The SLH program received an appropriation of \$15.5 million for the 1986-88 biennium, or about a five percent decrease from the previous biennium. The SLH program has historically underspent its appropriations because (1) SLH funds are allocated to localities that choose not to participate in the program, (2) many participating localities do not spend their entire allocation, and (3) many localities with additional program demand do not use the program's reserve fund. Table 1 shows State appropriations and expenditures for the program since FY 1982.

Until FY 1986, Appropriations Act language for the SLH program delineated the amount of program funds which could be spent on hospitalization services and outpatient services. Current expenditures for services are not limited by this requirement.

As mentioned previously, the State finances 75 percent of the SLH program costs while localities finance 25 percent with local matching funds. Appropriated funds are allocated twice annually at six-month intervals to all Virginia localities, and prorated on the basis of local population. Figure 3 illustrates the current distribution formula for the SLH program.

At the end of each six-month period, funds which are allocated but not utilized by localities are returned to DSS. This process enables other localities to obtain additional funds if their program expenditures exceed their allocations. Furthermore, language in the Appropriations Act provides for the

Table 1
SLH PROGRAM APPROPRIATIONS AND EXPENDITURES
OF STATE FUNDS*

<u>Fiscal Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
1982	\$6,254,200	\$5,577,623	\$ 676,577
1983	6,290,300	6,262,322	27,978
1984	6,865,205	6,599,632	265,573
1985	7,770,725	6,678,134	1,092,591
1986	8,795,685	7,035,102	1,760,583
1987	7,789,375	7,160,923	628,452
1988	7,789,375	n/a	n/a

*Includes program reserve funds.

Source: Department of Social Services, Bureau of Fiscal Management.

establishment of a \$2 million reserve fund out of the biennial appropriation which is to be set aside for SLH expenditures.

Several problems are evident with the current SLH distribution method. Allocating funds strictly on the basis of population does not appear to be equitable. Local population size does not account for local ability to pay or a community's need for the SLH coverage. Use of a six-month allocation process does not encourage efficient program planning. Further, the current use of the reserve fund also results in an inequitable distribution of funds.

Six-month Allocation Process. Localities that choose to participate in the SLH program notify DSS. SLH funds are then allotted for use during each six-month term. Localities may choose to match the entire allocation or some portion thereof.

Localities must submit SLH payment vouchers for reimbursement to DSS by the end of each six-month period in order to draw down State matching funds. If a locality has used up its initial allocation prior to the end of the six-month period, it has two options: (1) the locality can request reserve funds, or (2) the locality must wait until the next six-month allocation to pay providers for SLH-related services.

Because most local governments are unable or unwilling to grant mid-year budget supplements, they usually wait until the next SLH allocation to submit payment vouchers to DSS. In fact, many localities adhere to strict local budget guidelines which preclude requesting additional funds once the annual program budget is approved.

Reserve Fund. Reserve funds are only available to local programs at the end of each six-month allocation period. To access reserve funds, a

Figure 3

Current SLH Distribution Formula

$$\text{State Allocation to Locality} = \frac{\text{Total State Appropriation}}{\text{State Population}} \times \frac{\text{Locality Population}}{\text{State Population}}$$

$$\text{Local Match} = \frac{\text{State Allocation to Locality}}{.75} - \text{State Allocation to Locality}$$

$$\text{Total Program Funding} = \text{State Allocation} + \text{Local Match}$$

Example of Funding for the City of Richmond, FY 1986

$$\$309,209 = \$7,795,695^1 \times \frac{220,100 \text{ Richmond Population}}{5,549,100 \text{ State Population}}^2$$

$$\$103,070 = \frac{\$309,209}{.75} - \$309,209$$

$$\$412,279 = \$309,209 + \$103,070$$

¹ Does not include \$1,000,000 reserve fund set-aside for FY 1986.

² When 1986 allocations were made by DSS, 1983 provisional population figures were used.

Source: JLARC graphic of the SLH distribution formula.

locality must first pay for any over-expenditures from its local budget and then request partial reimbursement from the program reserve. Reserve funds may only be used to reimburse up to 75 percent of a locality's additional expenditures (the State share of program costs).

The reserve fund may influence some localities' decisions to spend more than budgeted, because additional funds are available for reimbursement. Affluent localities which can cover over-expenditures with local funds are

more likely to use the reserve fund. Less affluent localities may also have a need for additional program funds, but are unable to advance local funds to cover SLH services.

Many localities may not use the reserve fund because reimbursement is not guaranteed after expending local funds. Not only must they spend local funds prior to requesting and receiving reimbursement, but localities' requests may exceed available reserve funds. If requests for reserve funds should exceed their availability, DSS's policy is to prorate the distribution of these funds. (To date, reserve fund requests have never exceeded available funds.) During the 1984-1986 biennium, \$5.2 million was released from the reserve fund and unspent local allocations to reimburse 11 counties and 13 cities for inpatient and outpatient expenditures (Table 2).

Table 2

EXCESS EXPENDITURES AND SLH RESERVE FUND
REIMBURSEMENTS TO LOCALITIES
(FY 1985 and FY 1986)

Locality	FY 1985 Excess Expenditures	Reserve Fund Reimbursement	FY 1986 Excess Expenditures	Reserve Fund Reimbursement
<i>Counties:</i>				
Accomack	\$ 103,697.02	\$ 77,772.77	\$ 93,694.43	\$ 70,270.83
Arlington	395,069.88	296,302.41	326,963.80	245,222.86
Fairfax	334,959.39	251,219.55	248,543.84	186,407.88
Fauquier	4,896.23	3,672.18	.00	.00
Lancaster	180.67	135.51	.00	.00
Loudon	67,328.80	50,496.60	1,945.99	1,459.50
Northampton	31,751.85	23,813.88	18,500.78	13,875.58
Shenandoah	.00	.00	1,585.35	1,189.02
Smyth	2,920.48	2,190.36	.00	.00
Warren	2,300.48	1,725.36	.00	.00
Washington	.00	.00	296.06	222.05
<i>Cities:</i>				
Alexandria	711,423.22	533,567.41	566,319.30	424,739.49
Charlottesville	818.07	613.56	.00	.00
Chesapeake	2,309.46	1,732.09	.00	.00
Emporia	15.95	11.97	.00	.00
Falls Church	3,428.19	2,571.14	1,650.68	1,238.01
Newport News	149,928.05	112,446.03	193,056.15	144,792.12
Norfolk	1,053,837.56	790,378.16	977,693.29	733,269.97
Petersburg	33,797.05	25,347.79	.00	.00
Portsmouth	287,136.55	215,352.41	268,638.20	201,478.64
Richmond	284,225.38	213,169.03	398,236.52	298,677.38
Roanoke	19,890.02	14,917.52	1,572.83	1,179.62
Suffolk	39,645.35	29,734.01	62,184.01	46,050.01
VA Beach	128,531.41	96,398.55	145,332.15	108,999.10
TOTAL:	\$3,658,091.06	\$2,743,568.29	\$3,306,213.38	\$2,479,072.06

Source: DSS Bureau of Fiscal Management, FY 1985 and 1986.

III. ANALYSIS OF COSTS FOR THE SLH PROGRAM

The primary purpose of any funding formula is the equitable distribution of program funds. For the SLH program, equity can be defined in terms of two goals: (1) equal access to services, and (2) sharing of program costs by localities based on their ability to fund the services. The goal of equal access is achieved by ensuring that the program provides funds for the appropriate level of services where those services are needed. This chapter examines the costs of SLH services.

Current program costs are derived from providing inpatient, outpatient surgical, and nonsurgical outpatient and emergency services. But the basic structure of the current program affects its ability to achieve equal access in meeting the need for reimbursed services. In 1986, the Joint Subcommittee Studying Alternatives for a Long-term State Indigent Health Care Policy identified problems with equal access under the current program and funding structure. The current program does not mandate uniform eligibility criteria, does not require similar services to be offered by all local programs, and does not mandate statewide participation in the program. Because the program may provide different services to different clients, it is difficult to identify the number of Virginia residents who need SLH services.

Thus, it was necessary to develop an independent method to assess how to enhance equal access by better estimating program costs, and thereby meet the needs for SLH reimbursed services. Because the use of direct measures of need were impractical, JLARC staff developed a measure of minimum demonstrated demand for SLH program need. The measure was developed by examining local decisions regarding SLH program utilization, and additional demand for services not currently met in each participating locality. Demand for SLH services was then projected from this measure for localities that currently do not participate in the program, or do not provide the full range of SLH services.

Local costs for the program were estimated by using current actual costs and the measure of program demand in participating localities. Separate measures of demand and daily per-patient costs were developed for each of the three major types of service offered in participating localities. This seemed appropriate because the unit costs of inpatient care, outpatient surgery, and nonsurgical outpatient and emergency services vary dramatically.

The first section of this chapter focuses on how the SLH program could be structured to enhance equal access. The lack of three elements stands in the way of meeting this goal: (1) uniform eligibility criteria, (2) similar service guidelines, and (3) statewide participation in the program. Specific recommendations are presented for enhancing equal access to the program.

The second section of this chapter discusses the method used to develop a measure of program demand. Also discussed is the process used to estimate per-service costs for the program. The third section of the chapter presents local program cost estimates and several estimates of the SLH program cost. These cost estimates were developed for differing levels of

service. The cost estimates represent a range, from providing minimal changes that reflect more equitable access to the program, to more extensive changes that would help ensure equal access to a full range of services for all SLH-eligible residents. Finally, the implementation of a reserve fund for the SLH program is discussed.

ACHIEVEMENT OF EQUAL ACCESS UNDER THE CURRENT SLH PROGRAM

The current structure of the SLH program makes it difficult to achieve equal access. In this study, equal access was narrowly assessed by examining three conditions: uniform eligibility criteria, availability of similar services in localities, and availability of the program in all localities. The current program structure allows localities to establish their own eligibility criteria and determine which services are to be reimbursed. These factors, and the fact that localities are not required to participate in the program, negatively affect the achievement of equal access.

Establishing Uniform Eligibility Criteria

The lack of uniform statewide eligibility criteria for the current program structure clearly prevents equal access to the program in participating localities. The lack of such criteria means that some residents of the State may be eligible for the program if they live in one participating locality, but ineligible if they live in another locality. The variation in eligibility criteria arises from the non-binding nature of the program guidelines issued by DSS. These guidelines set forth criteria to determine eligibility for the program; however, local programs are free to set their own eligibility criteria.

Lack of uniform criteria also makes it difficult for the State to develop cost estimates that are based upon the actual and potential demand for the program from one year to the next. The absence of uniformity makes it impossible to assess what specific population is currently receiving SLH services in the State, because the eligible population may vary from one locality to the next. As a result, there is currently no way to predict who will be eligible for the program in the future or what the impact will be upon future budgets for the program.

Mandatory uniform eligibility criteria should be established for the program statewide. These criteria should account for income differences which arise from variances in cost of living throughout the State. The use of mandated eligibility criteria would enable the program to identify demand for services more accurately.

Recommendation (1). The General Assembly may wish to amend §63.1-139 of the *Code of Virginia* to require the use of uniform eligibility criteria developed by DSS for the SLH program. Such criteria should establish specific resource and income criteria, and should take into account cost-of-living variations in different parts of the State.

Establishing Uniform Service Coverage

The current SLH program does not require that service levels be consistent from one locality to the next. Lack of uniform service coverage is another barrier which hampers equal access to needed SLH-reimbursed services. Variation in service availability means that residents in one participating locality may be eligible for a wider range of services, or for longer periods of hospitalization, than residents in other participating localities which restrict the types or duration of covered service.

From one year to the next, programs may change the types of services that they cover, or the number of inpatient hospital days that are eligible for reimbursement. This is typically done in an effort to contain program costs. Thus, the current allocation level, not the need or demand for the program, may be driving program expenditures and restricting access to the program. In addition, some programs may be forced to make tradeoffs regarding whom they are able to serve. Given their current allocation levels, localities may have to choose between providing the relatively more expensive inpatient services to the very sick, or more preventive types of services for patients who may be seen in local health department clinics or hospital outpatient departments.

Several examples of variation in service levels are present in the current program structure:

In Waynesboro, the SLH program does not cover hospitalization for maternity care. However, in the neighboring city of Staunton, inpatient services for maternity care are reimbursed by the SLH program.

* * *

Henrico County provided SLH reimbursement only for inpatient services in FY 1986. The neighboring County of Chesterfield provided SLH reimbursement for inpatient, outpatient surgical, and nonsurgical outpatient and emergency room services during this same fiscal year.

Other localities may provide funds to cover deductible costs for Medicaid or Medicare patients, while some localities do not cover these expenses.

The number of inpatient days covered under the current program structure also varies between localities. Some localities will reimburse as many as 21 days in the hospital, while others will cover as few as three days. Some localities will reimburse only one inpatient stay for a particular patient during the year, while others allow several periods of hospitalization. Finally, some localities have provisions for extending the inpatient days covered when the need is demonstrated, while others will pay only for the number of eligible days.

The General Assembly may wish to direct DSS to establish and use uniform service coverage requirements for the SLH program. This will promote the achievement of equal access. In addition, it will enhance the

ability of SLH program administrators to develop estimates of the number of persons who may benefit from the SLH program in the future. These measures can then be used to develop a more accurate projection of the cost for providing the SLH program in Virginia.

Recommendation (2). The General Assembly may wish to direct the Department of Social Services to develop mandatory minimum service requirements for the SLH program. These should stipulate that every locality submit a program plan biennially. These service requirements should also specify (a) the types of services which should be offered and are reimbursable by the program, (b) whether or not funds can be used to supplement other payment sources, (c) the number of days to be covered by reimbursement, and (d) procedures for reviewing requests for additional coverage.

Promoting Equal Access Through Statewide Participation

SLH funds are supposed to be sufficient for each of the cities and counties in Virginia. Not all localities choose to participate in the program, however. During the 1984-1986 biennium, 27 localities elected not to participate. In FY 1987, 32 localities did not participate.

Local government decisions not to participate in the SLH program explicitly prohibit access to needed SLH-reimbursed services. Citizens who might be eligible if the program were offered in their locality are denied access to it. Local nonparticipation also has the effect of reducing the apparent cost of the program, since these localities are not spending their allocations. This complicates the State's ability to estimate real demand for services, because there are no actual expenditures and no apparent demand in the nonparticipating localities that can serve as a basis for making the estimates.

Unused allocations from nonparticipating localities do not go unspent, however. These funds usually are redirected by DSS to meet expenditures in localities that spend in excess of their own allocations. This means that current funding levels for the program would not be sufficient to fund the program if it were in operation statewide.

It also appears that some nonparticipating localities may be shifting the responsibility of paying for care of indigent residents to the State. This may occur because residents who might otherwise be eligible under a statewide program may have access to charity care in State teaching hospitals. However, access may be limited to those indigent residents who live in proximity to these hospitals.

Localities not participating in the SLH program deny their indigent or medically indigent residents access to health care that may be available to residents of participating localities. To promote equal access to health services through the SLH program, the General Assembly may wish to make the program mandatory in each county and city in the State.

Recommendation (3). The General Assembly may wish to amend §63.1-135 of the *Code of Virginia* to require that all cities and counties in the Commonwealth of Virginia participate in the SLH program.

JLARC METHODOLOGY FOR ESTIMATING PROGRAM DEMAND

The study mandate to review the SLH funding formula directed JLARC to include cost estimates for funding alternative plans. SLH costs are made up of two components: (1) demand for the program, and (2) the unit cost to provide reimbursement for one day of service. Four major steps were undertaken to estimate demand for the program in SLH participating and nonparticipating localities. First, it was necessary to develop an operational definition of program demand. Next, demand was measured for each SLH service type in participating localities that offered each type of service reimbursement. The third step involved projecting demand for each service in two types of localities: (1) participating localities that did not offer a particular type of service reimbursement, and (2) nonparticipating localities. In order to project this demand, a statistic was selected to represent demand. The final step was to project demand for services in the participating localities that offered service reimbursement.

SLH Program Demand

Estimating demand is the first step necessary for developing a State-recognized cost for providing the SLH program in all Virginia localities. Current SLH expenditure patterns do not account for total demand for the program. Several localities are unable to serve eligible SLH clients after their SLH funds are depleted. Therefore, local expenditures only represent the cost to provide SLH-reimbursed services to a portion of the population in need of program services.

For this study, program demand was operationally defined as a measure of the paid and rejected applications for SLH reimbursement in each locality. Paid applications were defined as those from patients who met local program eligibility criteria, had received covered services, and were actually reimbursed using SLH funds. Rejected applications were defined as those from patients meeting local program eligibility criteria. These applications had not been reimbursed using SLH funds, however, because local program funds had been exhausted.

Some localities appear committed to meeting all the demand for services, and to do so will spend more than their allocated amounts. These localities must commit local funds to meet the expense of this demand, and then request partial reimbursement from the State. Other localities also have demand more than that reflected in their expenditures. Many of these localities are unable to meet all of their demand, however, because of budgetary constraints. In addition, they may be reticent to use the reserve fund because the reimbursement process and its outcome are uncertain.

In a survey of all local SLH programs, JLARC staff found 23 local programs with program demand that they were unable to meet. These programs documented applications rejected for SLH reimbursement because SLH funds were depleted. Some local programs estimated that the level of demand exceeded their expenditures, but could not quantify the demand or provide documentation for it. Data on denied SLH applications from eligible clients totaled \$531,600 in FY 1986 and \$232,250 in FY 1985. These applications were denied because local programs had spent available SLH funds.

Measuring Program Demand in Participating Localities

Data for two years, FY 1985 and FY 1986, were used to measure demand for the SLH program in the participating localities. Two years of data were used in order to reduce the likelihood that unusually high or low demand in one year would be construed as representative of overall demand for the program.

Demand in each locality was calculated on a per-capita basis. That is, the total number of patient days was divided by the local population to represent the proportion of the local population that demonstrated some need for the program:

Total Number of Patient Days for Service from Paid Applicants	+	Total Number of Patient Days for Service from Rejected Applicants	=	Per-Capita Demand for Service in Locality
<hr style="width: 100%; border: 0.5px solid black;"/>				
Population of Locality*				

* Population estimates were based on 1985 data. These were the most recent population figures available for the calculation.

Separate measures of per-capita demand were developed for each of the three types of services offered by the program. This was necessary because not all participating localities offer all types of services or the same levels of each type. Per-capita demand was calculated using 1985 population estimates for both years. This was the most recent population data available for the calculation.

It is important to note that the demand measure represents a minimum demonstrated level of demand in participating localities. That is, it is a conservative estimate of the number of clients who may be served by an SLH program. Localities were not always able to document the number of program applications or referrals that occurred after their total SLH monies had been spent. Record-keeping or retrieval of the data was inadequate in several localities, and several local programs reported that they inform hospitals and local health departments when all funds have been spent. For this reason, providers may no longer send referrals, or clients may not file applications after funds have been depleted. Some of these localities offered estimates of their unmet demand, but because these amounts could not be verified, estimates were not used. The unavailability of data could be averted in the future, if all localities documented demand for the program. This could be accomplished by maintaining records on eligible patients who do not receive SLH-reimbursed services, as well as those who do.

Recommendation (4). DSS should require all localities participating in the SLH program to collect and monitor SLH applications that are rejected because SLH funds have been depleted. Information on the number of days requested for reimbursement, the estimated cost of the reimbursement, and the type of service received should be collected for each rejected application. These data should be reported to DSS on an annual basis. DSS should use these figures to estimate costs for the SLH program biennially.

Projecting Demand for Services Not Offered by SLH Participating Localities

During the 1984-1986 biennium, only 56 SLH participating localities provided reimbursement for outpatient surgical services. During the same period only 53 localities provided funds to reimburse nonsurgical outpatient and emergency services for eligible clients. The lack of reimbursement data for these services made it necessary to project demand levels to estimate their costs in all participating localities.

During this same biennium, 27 localities did not participate in the SLH program. Therefore, it was necessary to estimate demand for inpatient, outpatient surgical, and nonsurgical outpatient and emergency room services in these localities.

In order to project demand in localities not offering particular service reimbursement and in nonparticipating localities, two steps were undertaken: (1) the prevailing per-capita demand for each service type was calculated, and (2) a statistic to represent prevailing demand was selected.

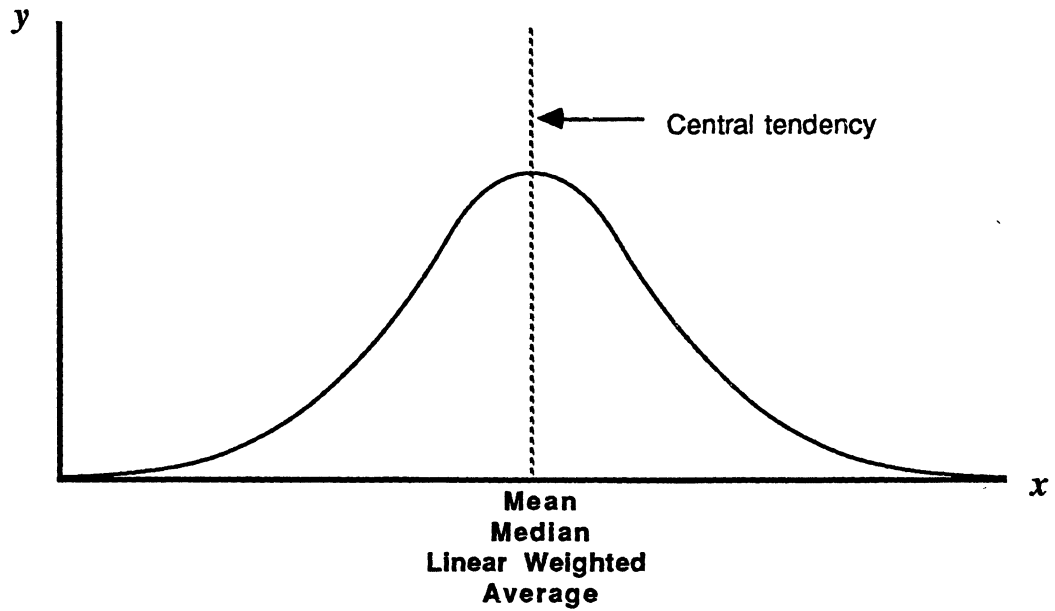
Calculating the Prevailing Per-capita Demand Level. Because a per-capita level of demand had been calculated in participating localities offering each service type, the per-capita level was used as the basis for the projection. However, there appeared to be much variation in demand levels across localities that reimbursed each service type. For this reason, the projection was based on the prevailing level of demand for services in participating localities. The prevailing level of demand was the level around which most localities that experienced demand for each service type appeared to cluster.

Selecting a Statistic to Estimate Prevailing Demand. In order to determine the prevailing per-capita demand level, the central, or most representative value of the demand level is needed. If the data are distributed normally with respect to the mean, then the selection of a statistic to determine this value is relatively simple: an arithmetic mean is appropriate. In fact, the arithmetic mean is expected to be equal to other statistics representing central tendency, such as the median (Figure 4).

However, some data are skewed, with extreme values located on the high or low ends. For these data, other statistics using resistant techniques that accommodate the extreme values (the outliers), such as the median, are useful to estimate the most representative values of the distributions (Figure 5). In the case of the per-capita demand data for SLH services in participating localities, the data appeared skewed. Therefore, several alternative measures of central tendency were examined.

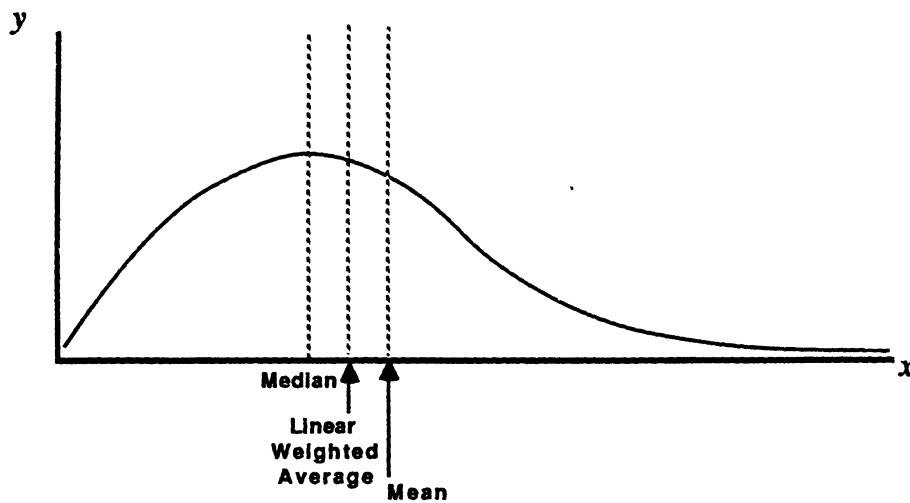
The choice of a statistic representing central tendency involves a trade-off between sensitivity to the data and the stability of the statistic. When the statistic is sensitive to the data, it is influenced by extreme values -- shifting as values become more extreme or as extreme values are added. Stability of the statistic means that the statistic is not responsive to extreme values. A desirable statistic is one which is influenced by all data, but is not so influenced by the extreme values that it no longer represents most of the data points.

Figure 4
Example of A Normal Distribution



Source: JLARC staff graphic.

Figure 5
Example of a Skewed Distribution



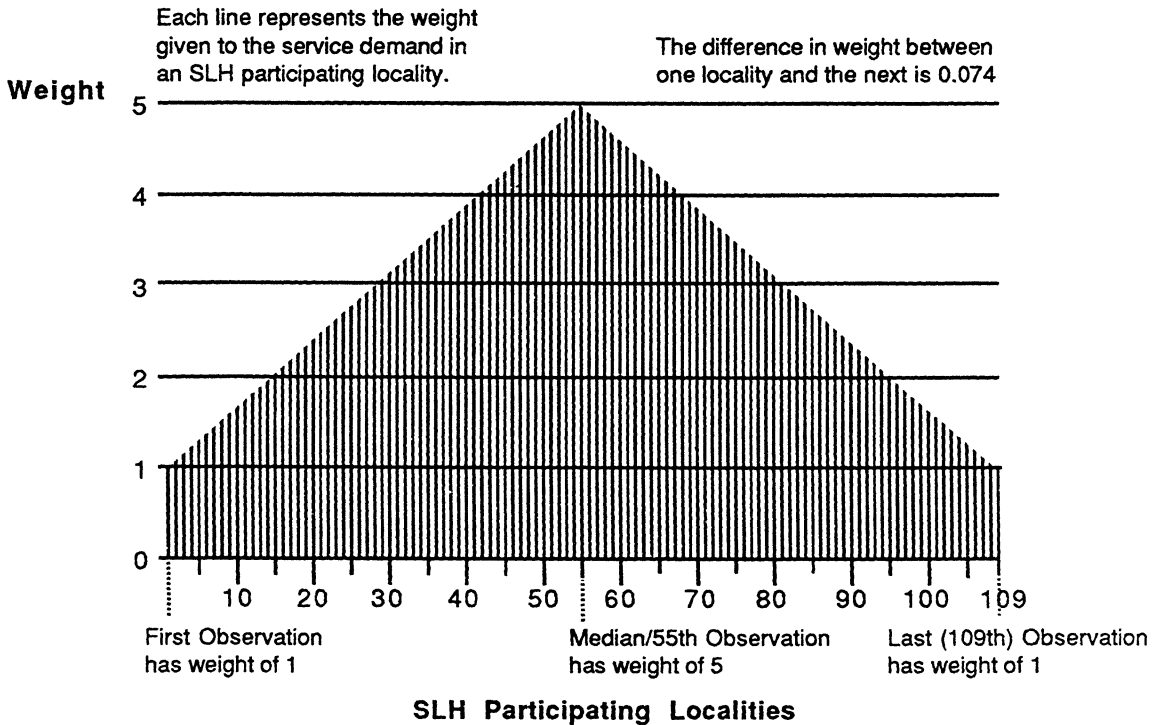
Source: JLARC staff graphic.

JLARC staff evaluated several different statistics of central tendency as possible statistics for determining prevailing demand. The methodology used to implement the prevailing demand concept involved the trade-off between sensitivity and stability. The ideal measure demonstrated a balance between these two characteristics.

In the JLARC staff analysis, the statistic that most consistently achieved a balance between sensitivity and stability was a linear weighted average with a weight of five (Figure 6). For this statistic, the per-capita demand data for each SLH participating locality is ordered from high to low. The lowest and the highest values receive the smallest weight, which is always one. The weights are then incrementally increased from both extremes, until the center value (the median per-capita demand) receives the largest weight (in this case, five). The weights are multiplied by the per-capita demand values, and an average is calculated.

Several alternative weights were tested for use with the linear weighted demand estimates. Different weights have distinct effects on which values in the distribution are emphasized. The selection of one weight over another may place more significance on the extreme values of the data,

Figure 6
Linear Weighted Average for 109 Observations



Source: JLARC staff graphic.

minimizing the importance of central values. For example, if a relatively low weight is used, the central values do not receive much more emphasis than the extreme values. Consequently, the extreme values will have more influence on a linear weighted average that uses a lower weight.

An estimate using a weight of five was selected as the most appropriate measure because it balanced sensitivity and stability. Using this technique, a prevailing rate of demand for each type of service was developed and applied to participating localities that did not offer the service, as well as to each nonparticipating locality.

Projecting Demand for Service in Participating Localities

The statewide prevailing demand level was used to estimate per-capita demand in participating localities not offering particular services, and in each nonparticipating locality. In addition, the prevailing demand measure was used as a minimum demonstrated estimate of demand in the participating localities. That is, if a locality's per-capita demand was below statewide prevailing demand, then its demand was projected using the prevailing level. This was done for two reasons. First, structural changes to the current program to enhance equal access may result in increased demand in these localities. This is likely to occur in localities that have kept their demand low due to restrictive eligibility requirements. In addition, several localities indicated that they had unmet demand but were unable to document it.

The statewide prevailing demand measure was not assigned to participating localities with per-capita demand rates above the prevailing rate. These localities appeared to recognize and to meet higher levels of demand. In addition, most of these localities had submitted documented cases of unmet demand. Assigning the prevailing per-capita demand rate would have artificially reduced demonstrated demand in these localities.

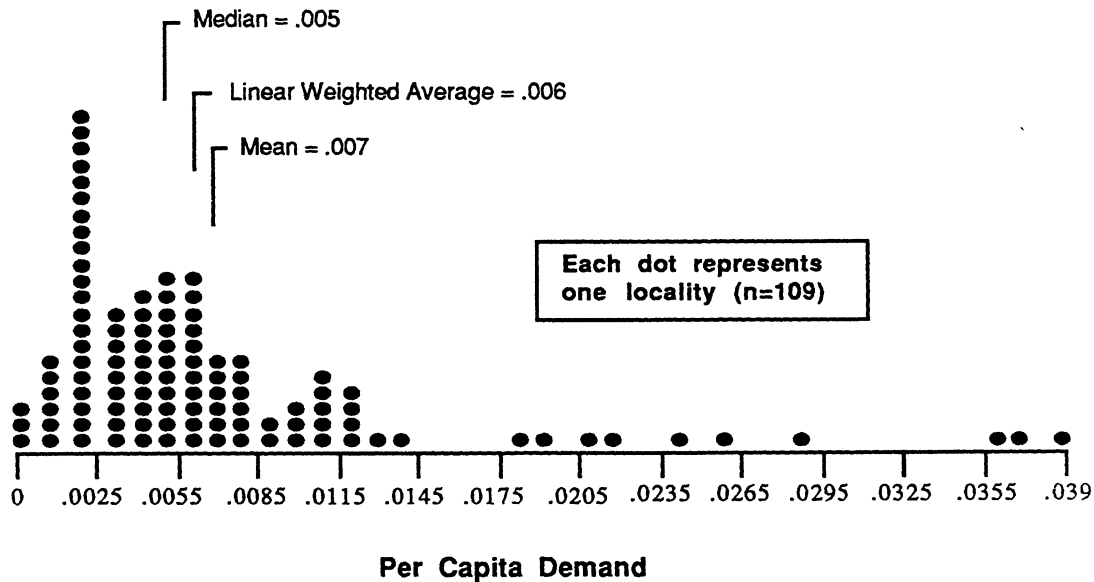
Measuring Prevailing Demand for Inpatient Services. Demand was measured for inpatient services using per-capita demand levels from each participating locality. The prevailing per-capita calculation was based on demand in 109 participating programs. Figure 7 illustrates the distribution of per-capita demand for inpatient services. The distribution of demand for inpatient services is skewed towards one end of the scale. As mentioned earlier, this resulted in the selection of the linear weighted average as the most appropriate measure of central tendency.

Measuring Demand for Outpatient Surgical Services. Prevailing demand for outpatient surgical services was calculated using data from 56 participating localities. Like the inpatient per-capita demand data, the distribution of outpatient surgical demand data was skewed towards one end of the scale. Again, the linear weighted average appeared to be the most appropriate measure of central tendency for this distribution. Figure 8 shows the distribution of per-capita demand for these services.

Measuring Prevailing Demand for Nonsurgical Outpatient and Emergency Services. Two prevailing measures of demand were developed for nonsurgical outpatient and emergency services. This was because demand for

Figure 7

Distribution of Demand for Inpatient Services



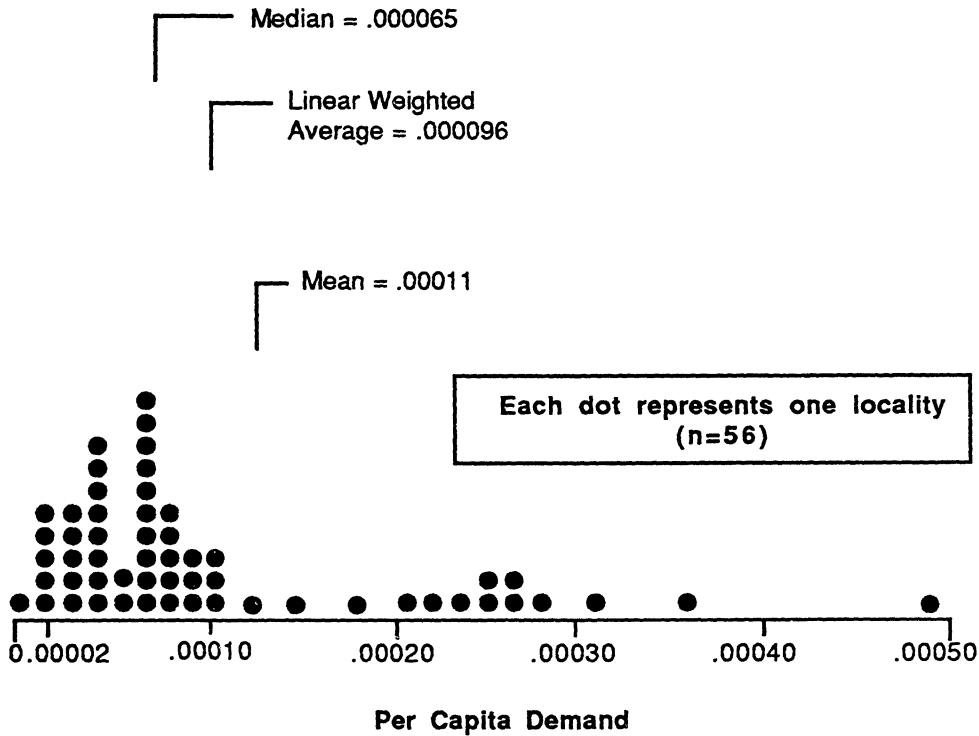
Source: JLARC staff graphic.

these services varied between localities in a way that was different from other types of services. Localities that offered these services were divided essentially into two groups, those that provided reimbursement for more than 500 nonsurgical outpatient and emergency room visits, and those that provided reimbursement for fewer than 500 visits (Figure 9). Because localities were distinctly grouped with scales of operations much smaller than or much greater than 500 patient visits, clustering of these groups of localities to calculate two separate demand measures was appropriate.

With this much variation present, developing a single prevailing measure of demand for this service statewide would have resulted in an estimate of demand which would not have been representative of most of the localities' demand levels. For example, the linear weighted average per-capita demand based on all localities offering these services was .008. However, 42 of the 53 localities offering this service reimbursement had per-capita demand levels much lower than this.

One of the two measures of prevailing per-capita demand for this service was based on data from localities with low demand, or fewer than 500 patient visits. The other measure of prevailing demand for this service was based on data from localities with high demand, or more than 500 patient

Figure 8
**Distribution of Demand for
 Outpatient Surgical Services**



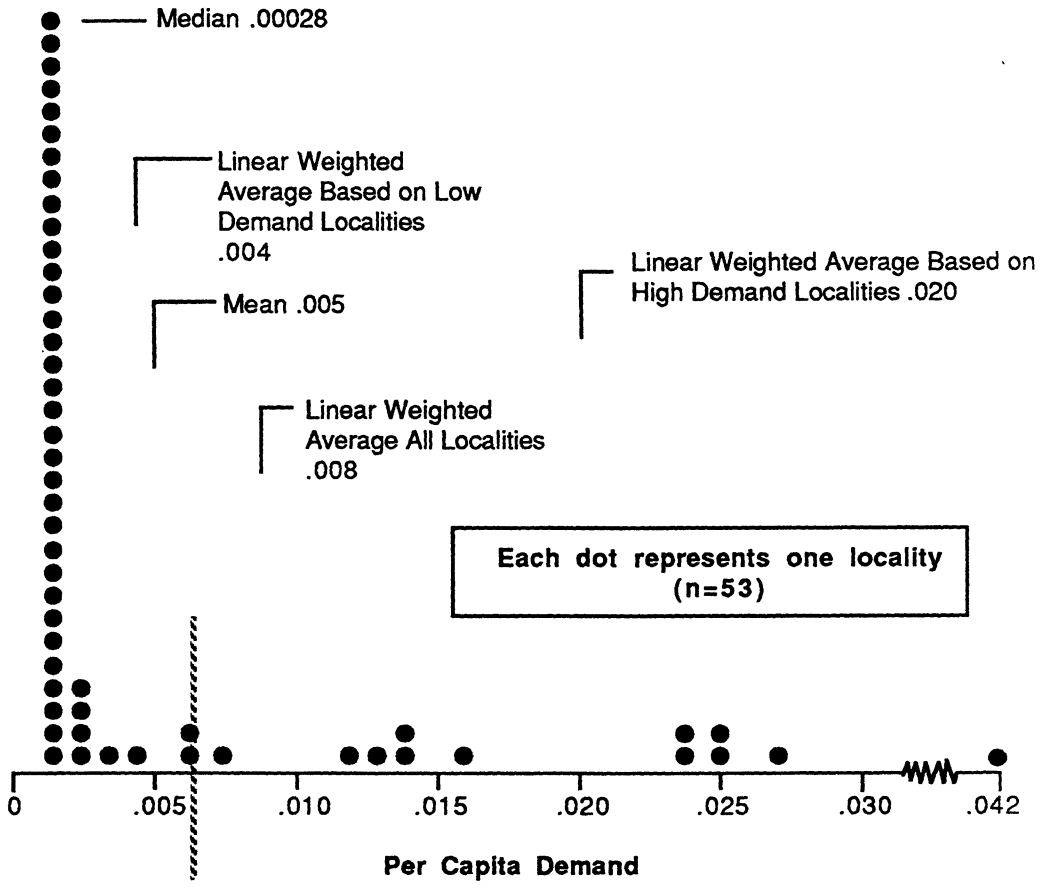
Source: JLARC staff analysis.

visits. Two measures of prevailing demand made it possible to project different demand levels based upon two different assumptions. Projecting a lower level of demand for the service ensures that all localities provide for a minimal level of demand for this service. It could also promote the goal of providing equal access to needed SLH-reimbursed services. Using a higher level of demand to project estimates assumes that localities may aspire to provide a level of outpatient services focused on preventing illnesses, as well as traditional hospital-related services.

JLARC METHODOLOGY FOR ESTIMATING PROGRAM COSTS

While program demand is a major factor in determining costs, it is not the only one. The unit or per-service cost to provide reimbursement for one day of service to a patient is the other major element. The per-service

Figure 9
**Distribution of
 Demand for Nonsurgical Outpatient
 and Emergency Services**



~~~~~ Dotted line indicates the dividing point between low-demand and high-demand localities. Low-demand localities were those with less than 500 non-surgical outpatient and emergency room visits. High-demand localities were those with more than 500 visits.

Source: JLARC analysis of Local SLH Authorization Agents' survey, data for FY 1985 and FY 1986.

cost for providing SLH reimbursement varies within and between participating localities. This variation occurs because contracted daily rates for service reimbursement may be different for each contracting hospital within participating localities, and contracting hospitals located in different parts of the State.

In addition, each type of service reimbursed by the SLH program has a different daily cost or rate of reimbursement. The daily rate for inpatient services is the highest. It is based on each contracting hospital's operating costs less capital and depreciation costs. The rate for outpatient surgical services is lower than the inpatient daily rate. It is set by DSS at two-thirds of the inpatient rate at the contracted hospital where the service occurs. The daily rate for nonsurgical outpatient and emergency room services is the lowest and is set at \$15.00 per visit by DSS.

Several steps were necessary in order to estimate SLH per-service costs. First, a per-patient per-service cost was developed in each participating locality for each service type reimbursed by the SLH program. Second, the per-service cost was projected for each service type in participating localities that did not offer a particular service type, and in nonparticipating localities. In order to project these per-service costs, a statistic was selected to represent the unit cost for each service type.

Development of Per-Service Costs

A daily per-service cost for each service type was developed in each participating locality. To develop this per-service cost for use with the demand measure, it was necessary to include costs from SLH applications that were reimbursed and eligible SLH applications that were rejected because local SLH funds had already been spent.

As with the demand data, the costs of these applications were based on two years of data, FY 1985 and FY 1986. This decreased the likelihood that unusually high or low costs in one year would be assumed to be representative of the annual per-service cost. Per-service costs for FY 1985 were converted to FY 1986 dollars using an inflation factor of 3.4 percent. This factor was based on national historical data for hospital operating costs developed by Data Resources, Inc. This is the most appropriate inflation data currently available for hospital operating costs.

The daily per-service cost for each SLH-reimbursed service was estimated by (1) adding the dollar value of paid and rejected applications for each service, and (2) dividing the total amount by the total number of hospital days reimbursed or requested for reimbursement:

$$\left( \frac{\begin{array}{l} \text{Total Cost of Paid} \\ \text{Applications for Service} + \\ \text{in Locality} \end{array} + \begin{array}{l} \text{Total Value of Rejected} \\ \text{Applications for Service} \\ \text{in Locality} \end{array}}{\begin{array}{l} \text{Total Number of Paid} \\ \text{Patient Days for Service} + \\ \text{in Locality} \end{array} + \begin{array}{l} \text{Total Number of Rejected} \\ \text{Patient Days for Service} \\ \text{in Locality} \end{array}} \right) = \text{Daily Per-Patient} \\ \text{Cost for Service} \\ \text{in Locality}$$

This calculation resulted in an average daily per-patient cost for each service in a participating locality. This average daily per-patient per-service cost for each participating locality accounts for extreme variations in patient costs which may occur because hospital daily reimbursement rates vary.

#### Projecting Per-Service Costs for Services Not Offered by Localities

As discussed earlier, during the 1984-1986 biennium, about half of the SLH participating localities did not provide reimbursement for outpatient surgical, and nonsurgical outpatient and emergency room services. Unit or per-service costs for these two services had to be projected in these participating localities. In addition, per-service costs had to be projected for all service types in the 27 nonparticipating localities. Per-service costs were estimated for services not offered in localities by: (1) calculating the prevailing daily per-patient cost for each service type, and (2) selecting a statistic to represent the prevailing cost.

*Calculating the Prevailing Daily Per-Patient Per-Service Cost.* The per-patient per-service cost developed in each participating locality was the basis for the cost projection in participating localities not offering certain services and in nonparticipating localities. The projection was based on the prevailing cost level, because per-service costs varied considerably across localities. The prevailing per-service cost was the cost around which most localities that provided reimbursement for a certain service appeared to be clustered. The prevailing cost was calculated for each service type reimbursed by the SLH program: inpatient services, outpatient surgical services, and nonsurgical outpatient and emergency room services.

*Selecting a Statistic to Estimate Prevailing Costs.* Like the demand calculation, wide variations in inpatient and outpatient surgical costs across participating localities made it necessary to examine a number of different measures of the prevailing rate. An analysis of these measures revealed that the linear weighted average was appropriate to use in estimating the prevailing rate. The prevailing costs were calculated with the same techniques used to calculate prevailing demand.

Similar to demand, several alternative weights were tested for use with the linear weighted cost estimate. Again, an estimate using a weight of five was selected. This measure was consistently among the best to represent the central tendency of the per-service costs. Using this technique, a prevailing cost for each type of service was developed and used with the demand measure in each participating locality that did not reimburse a particular service type, and in each nonparticipating locality.

#### ALTERNATIVE COST ESTIMATES FOR PROVIDING THE SLH PROGRAM

After the per-capita demand and per-service cost estimates were developed for each locality, it was then necessary to: (1) estimate the total SLH program cost in each locality, and (2) apply inflation projections to the cost estimates for the 1988-1990 biennium, and (3) estimate the total costs of the program statewide. JLARC staff developed cost estimates for the SLH

program in each locality and statewide which represent incremental changes in the level of service provided.

Nine different cost estimates were developed for the total SLH program. These cost estimates represent a range of potential service levels that could be implemented to enhance equal access. The first five estimates presented represent the least change to the current program structure and minimal changes to enhance equal access concerns. Subsequent estimates progress incrementally toward providing a full range of services in all localities in the State and achieving a higher level of equal access to the SLH program.

#### SLH Cost Estimates for Each Locality

Cost estimates for the SLH program were developed in localities using the per-capita demand estimate, the daily per-patient per-service cost estimate, and each locality's population. The cost for each service type was developed and then added together to calculate a total program cost in every locality.

The calculations used to estimate program costs varied slightly for: (1) participating localities that offered all SLH reimbursable services, and (2) participating localities that did not offer certain service types and nonparticipating localities. Exhibit 1 illustrates the calculations which were made to develop cost estimates for each service type in SLH participating and nonparticipating localities.

#### Projecting the Cost Estimates for the 1988-1990 Biennium

After the cost estimates for each locality were developed, they were inflated to FY 1989 and FY 1990 levels. This enabled JLARC staff to estimate total SLH program costs for the 1988-1990 biennium. Locality cost estimates were inflated from FY 1986 levels using national historical and forecasted inflation data on hospital operating costs published by Data Resources, Inc. (DRI). The inflation data are based on hospital operating costs that exclude medical education costs, professional fees, and capital costs. Historical inflation data were used to inflate FY 1986 costs to FY 1987 levels. Forecasted data were used to inflate FY 1987 costs to FY 1989 and FY 1990 levels.

#### Cost Estimates for the Total SLH Program in Participating Localities

After the costs were estimated in participating and nonparticipating localities, total program costs were developed which represent incremental changes in the level of services provided by the SLH program. Five estimates of cost presented here were developed for funding SLH services only in participating localities (Table 3). These estimates preserve the local choice not to participate in the program, so none adequately achieve equal access. However, several of the estimates are based on increased levels of service provision in participating localities. In addition, several of these estimates provide a higher level of access to SLH-reimbursed services for eligible citizens in participating localities. The five different estimates are: (1)

Exhibit 1

## Estimating Program Costs in Localities

### PARTICIPATING LOCALITIES

1.

$$\left[ \left( \begin{array}{l} \text{Prevailing Statewide} \\ \text{Per-Capita Demand} \\ \text{or Actual Local} \\ \text{Per-Capita Demand if} \\ \text{Higher for Service Type} \end{array} \right) \times \left( \begin{array}{l} \text{Local Average} \\ \text{Daily Cost for} \\ \text{Service Type} \end{array} \right) \right] \times \left( \begin{array}{l} \text{Population} \\ \text{in} \\ \text{Locality} \end{array} \right) = \left( \begin{array}{l} \text{Local Program} \\ \text{Cost for} \\ \text{Service Type} \end{array} \right)$$

2.

$$\left( \begin{array}{l} \text{Inpatient} \\ \text{Services} \\ \text{Cost} \end{array} + \begin{array}{l} \text{Outpatient} \\ \text{Surgical} \\ \text{Services} \\ \text{Cost} \end{array} + \begin{array}{l} \text{Nonsurgical} \\ \text{Outpatient \&} \\ \text{Emergency} \\ \text{Services Cost} \end{array} \right) = \left( \begin{array}{l} \text{Total SLH Cost} \\ \text{For Locality} \end{array} \right)$$

### PARTICIPATING LOCALITIES NOT OFFERING A PARTICULAR SERVICE AND NONPARTICIPATING LOCALITIES

1.

$$\left[ \left( \begin{array}{l} \text{Prevailing Statewide} \\ \text{Per-Capita Demand} \\ \text{for Service Type} \end{array} \right) \times \left( \begin{array}{l} \text{Prevailing} \\ \text{Statewide} \\ \text{Cost for} \\ \text{Service Type} \end{array} \right) \right] \times \left( \begin{array}{l} \text{Population} \\ \text{in} \\ \text{Locality} \end{array} \right) = \left( \begin{array}{l} \text{Local Program} \\ \text{Cost for} \\ \text{Service Type} \end{array} \right)$$

2.

$$\left( \begin{array}{l} \text{Inpatient} \\ \text{Services} \\ \text{Cost} \end{array} + \begin{array}{l} \text{Outpatient} \\ \text{Surgical} \\ \text{Services} \\ \text{Cost} \end{array} + \begin{array}{l} \text{Nonsurgical} \\ \text{Outpatient \&} \\ \text{Emergency} \\ \text{Services Cost} \end{array} \right) = \left( \begin{array}{l} \text{Total SLH Cost} \\ \text{For Locality} \end{array} \right)$$

Table 3

**SLH Cost Estimates  
In Participating Localities\***

| <u>Level of Service Coverage</u>                                                             | <u>FY 1989</u> | <u>FY 1990</u> | <u>1988-90 Biennium</u> |
|----------------------------------------------------------------------------------------------|----------------|----------------|-------------------------|
| Current Program Services                                                                     | \$12,163,389   | \$12,783,722   | \$24,947,111            |
| Inpatient Only                                                                               | 11,760,875     | 12,360,680     | 24,121,555              |
| Inpatient and Outpatient Surgery                                                             | 11,846,592     | 12,450,768     | 24,297,360              |
| Inpatient, Outpatient Surgery, and Low-Estimate Demand Nonsurgical Outpatient and Emergency  | 12,240,097     | 12,864,341     | 25,104,438              |
| Inpatient, Outpatient Surgery, and High-Estimate Demand Nonsurgical Outpatient and Emergency | 12,806,036     | 13,459,144     | 26,265,180              |

\*Cost estimates do not include any reserve fund. They reflect State and local contributions for the program. The total program budget for FY 1988 is \$10,052,499 assuming all localities participate and match State appropriations. The FY 1988 total includes the \$1 million annual program reserve fund.

Source: JLARC staff analysis.

providing only the mix of services that is currently offered in each participating locality, (2) providing only inpatient services in all participating localities, (3) providing inpatient and outpatient surgical services in all participating localities, (4) providing inpatient, outpatient surgical, and a low estimate of demand for nonsurgical outpatient and emergency services in all participating localities, and, (5) providing inpatient, outpatient surgical, and a high estimate of demand for nonsurgical outpatient and emergency services in all participating localities.

*Offering Current Service Levels in Participating Localities.* The first estimate is based on funding the SLH program only in those localities that participated in FY 1985 or FY 1986. It recognizes only the costs for services that were provided during those years. It provides some improvement in access over the current program because it recognizes unmet demand in localities that could document rejected applications for SLH. It also establishes a minimal level of demand that would be recognized in all participating localities. Recognition of the costs for providing a minimal level of demand could offset the inability of some localities to document unmet demand or to tap the



reserve fund to provide for additional levels of demand. The estimated cost of this service level during the 1988-1990 biennium would be \$24,947,111.

*Offering Inpatient Services Only.* The second estimate represents the costs to fund only inpatient services in those localities that participated in FY 1985 or FY 1986. Inpatient services represent the greatest source of demand for the SLH program, and account for more than 95 percent of the total estimated costs for the program.

A minimal level of demand in all participating localities would be funded in this estimate. The estimate assumes increased levels of inpatient service in those localities that have kept demand low due to restrictive eligibility requirements, were unable to document their unmet demand, or could not provide local funds in advance. The estimated cost of inpatient services during the 1988-1990 biennium would be \$24,121,555.

*Offering Inpatient and Outpatient Surgical Services.* The third estimate would provide funds to offer reimbursement for inpatient and outpatient surgical services in those localities that participated in SLH during FY 1985 or FY 1986. This estimate provides some improvement in access over the previous two alternatives because it includes the cost of providing outpatient surgery services in participating localities that did not offer these services during FY 1985 or FY 1986.

The estimate should enhance equal access to needed SLH-reimbursed services. DSS has mandated that some surgical procedures must be provided on an outpatient basis to contain costs. Currently, eligible clients from participating localities that do not currently provide outpatient surgical reimbursement may be unable to access these services. Like the previous two estimates, a minimum level of demand is recognized by this estimate. The estimated cost for this level of service during the 1988-1990 biennium would be \$24,297,360.

*Offering Inpatient, Outpatient Surgery, and a Low Estimate of Demand for Nonsurgical Outpatient and Emergency Services.* The fourth estimate provides funding for a full range of services in localities that participated in FY 1985 or FY 1986. This level of service improves on the previous one since it recognizes costs for meeting a minimum level of demand for all services reimbursable through the program. The estimated cost for this level of service during the 1988-1990 biennium would be \$25,104,438.

*Offering Inpatient, Outpatient Surgery, and a High Estimate of Demand for Nonsurgical Outpatient and Emergency Services.* This final estimate for participating localities provides funding for a full range of services in FY 1985 or FY 1986. It differs from the previous option because it recognizes the costs associated with meeting a high level of demand for nonsurgical outpatient and emergency services. Like the previous estimate, it presents one of the better means for promoting equal access among participating localities. The estimated cost for this level of service during the 1988-1990 biennium would be \$26,265,180.

## Cost Estimates for the Total SLH Program Offered in All Localities

Four estimates were developed for SLH services in all Virginia localities (Table 4). These estimates present the means to best further the goal of achieving equal access to needed SLH-reimbursed services for all localities. All eligible citizens who need the program would have access to it. Funds which recognize the cost of meeting a minimum level of demand statewide would be provided. And, through some of these estimates, a wider variety of service reimbursement is possible. The four different estimates are: (1) providing only inpatient services in all localities, (2) providing inpatient and outpatient surgical services in all localities, (3) providing inpatient, outpatient surgery, and a low estimate of demand for nonsurgical outpatient and emergency services in all localities, and, (4) providing inpatient, outpatient surgery, and a high estimate of demand for nonsurgical outpatient and emergency services in all localities.

*Offering Inpatient Services Only.* The first estimate provides funds for reimbursing the costs of inpatient services in all cities and counties in the State. It provides for improved access over the inpatient estimate discussed earlier because the cost estimate includes funds for meeting demand in all localities. The estimated cost of this level of service during the 1988-1990 biennium would be \$25,091,599.

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Table 4

### **SLH Cost Estimates In All Localities\***

| <u>Level of<br/>Service Coverage</u>                                                                  | <u>FY 1989</u> | <u>FY 1990</u> | <u>1988-90 Biennium</u> |
|-------------------------------------------------------------------------------------------------------|----------------|----------------|-------------------------|
| Inpatient Only                                                                                        | \$12,233,837   | \$12,857,762   | \$25,091,599            |
| Inpatient and Outpatient<br>Surgery                                                                   | 12,324,923     | 12,953,494     | 25,278,417              |
| Inpatient, Outpatient<br>Surgery, and Low-Estimate<br>Demand Nonsurgical<br>Outpatient and Emergency  | 12,735,579     | 13,385,093     | 26,120,672              |
| Inpatient, Outpatient<br>Surgery, and High-Estimate<br>Demand Nonsurgical<br>Outpatient and Emergency | 13,365,846     | 14,047,505     | 27,413,351              |

\*Cost estimates do not include any reserve fund. They reflect State and local contributions for the program. The total program budget for FY 1988 is \$10,052,499 assuming all localities participate and match State appropriations. The FY 1988 total includes the \$1 million annual program reserve fund.

Source: JLARC staff analysis.

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*Offering Inpatient and Outpatient Surgical Services.* The second estimate would fund SLH reimbursement for inpatient and outpatient surgical services in all cities and counties in the State. This estimate includes the cost of providing outpatient surgical services both in participating localities that did not offer the service during FY 1985 and FY 1986, and in nonparticipating localities. The estimated cost for this level of service during the 1988-1990 biennium would be \$25,278,417.

*Offering Inpatient, Outpatient Surgery, and a Low Estimate of Demand for Nonsurgical Outpatient and Emergency Services.* The third estimate would provide SLH reimbursement for a full range of services in all cities and counties in the State. This estimate recognizes the need to provide realistic reimbursement for nonsurgical outpatient and emergency services. Program structural changes would result in greater use of the program, but the changes may only result in slow growth in demand levels. The estimate assumes that the program would continue to provide funds to meet higher levels of demand for these services where they occur. The estimated cost for this level of service during the 1988-1990 biennium would be \$26,120,672.

*Offering Inpatient, Outpatient Surgery, and a High Estimate of Demand for Nonsurgical Outpatient and Emergency Services.* The final estimate recognizes the costs to provide reimbursement for a full range of services in all cities and counties in the State. It differs from the previous one in that it recognizes costs for meeting a high level of demand for nonsurgical outpatient and emergency services. Recognition of these costs, however, may be inappropriate. With the initial availability of nonsurgical outpatient and emergency services, many localities may experience lower levels of demand for these services. The estimated cost for this level of service during the 1988-1990 biennium would be \$27,413,351.

#### CREATING A RESERVE FOR SLH FUNDING

The current funding structure of the SLH program includes a \$1,000,000 annual reserve fund. However, as pointed out in Chapter I, its current use results in several problems related to the distribution of funds. Localities are required to expend local funds before they are reimbursed by the reserve fund for excess expenditures. Reserve funds are not guaranteed to localities that request them, although historically localities have been reimbursed by the State for 75 percent of their excess expenditures.

Another problem with the current use of the reserve fund is that some portion is returned to the State general fund, even though some programs may heavily use the fund. This can occur because some localities are unable to appropriate additional local funds to pay for needed SLH coverage that exceeds their initial allocation. Also, some local governments may be unable or unwilling to make adjustments to their budgets in the middle of the fiscal year.

A third problem with the current use of the reserve fund is that no criteria exist to determine which localities should receive these funds. The funds are spent as long as they last, but if requests exceed available funds, DSS will prorate the fund disbursement based on the amount of the requests received.

These problems exacerbate inequities that affect the current distribution formula. While a more efficient and equitable cost calculation and distribution system should alleviate the need for a reserve fund to meet normal program demand, a reserve fund would be useful as a way to offset emergency or extraordinary circumstances that lead to heavy program usage. A reserve fund could be used to relieve extraordinary demands for services on a situational basis in some localities.

If a reserve fund is included in a funding distribution system, then criteria should be developed to guide its implementation. Such criteria should address the problems that are evident in the current use of the fund. For example, if the fund is to be used to address "extraordinary" demands, then the types of extraordinary demands to be eligible for funding should be identified. Criteria should also be developed to specify how the reserve fund disbursements are to be made, how the amount of the disbursement is to be determined, and when the disbursement should occur (e.g., at the end of the budget year or semi-annually). These procedures would help ensure that the reserve fund is not used to meet routine demand for the program, and that it does not undermine a more equitable distribution system.

The 1986-88 Appropriations Act requires that \$2 million be set aside from the biennial appropriation as a reserve fund. However, because this amount represents about six percent of the FY 1986 budget, and is most often used to fund routine demands for services, a smaller reserve fund would be more appropriate for use with a more equitable distribution system. A reserve amount of \$500,000 per annum could be set aside until DSS can assess the patterns of usage for the reserve fund.

*Recommendation (5).* The General Assembly may wish to appropriate \$500,000 for use as an annual SLH reserve fund. Use of this reserve fund should be restricted to "extraordinary" demands for program services. The current reserve fund should be reduced only if future appropriations recognize costs to meet routine demand for SLH in all localities.

The Department of Social Services should establish criteria explicitly defining (1) the types of extraordinary demand eligible for reserve funds, (2) how reserve fund disbursements are to be made, (3) how the amount of the disbursements are to be determined, and (4) when the disbursements are to be made.

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## IV. CALCULATING LOCAL SHARES

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Currently, State funds for the SLH program are distributed according to the population of each city and county in Virginia. This method of distribution is based only on the proportion of the total State population in each locality, and does not incorporate any consideration of varying local ability to generate revenues to pay for the SLH program. Localities that may be least able to afford the program are expected to pay the same portion of the program costs as more affluent localities.

Several criticisms have been aimed at the current SLH allocation method. Any revision to the current SLH funding formula should promote equity in distributing the funding responsibility of the program across localities. It should promote equity by considering the varying ability of localities to raise revenues to pay for program services.

Local governments in Virginia have several types of property and consumer tax revenues available to pay for the SLH program. In addition, they have the ability to collect non-tax revenues from sources such as permits, fines, and fees. This chapter discusses how the ability of Virginia localities to raise revenue from various sources can be estimated. Two alternative measures were examined for use in the SLH funding formula. The first measure examined was the composite index, which is currently used in the distribution of elementary and secondary education funds. The composite index was rejected, however, because extensive modifications would have been necessary for its appropriate use in funding an indigent hospitalization program. Local revenue capacity was also examined for use in a revised SLH funding formula. Revenue capacity represents a significant improvement to current methods for measuring local tax resources. It measures the revenue-generating capacity of a locality, if statewide average tax rates are applied to each tax base.

### LOCAL GOVERNMENT REVENUE SOURCES

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

The single most important source of local government revenue in Virginia is real property, which is composed of real estate and real property from public service corporations (PSCs). While reliance on real property revenues varies substantially across localities, real property revenues account for almost half of all local revenues statewide (42 percent in FY 1986).

A variety of other revenue sources comprise the remaining 58 percent of statewide local revenues. Figure 10 shows the proportion of total statewide revenue accounted for by each source.

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Exhibit 2

LOCAL REVENUE SOURCES

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

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

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

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

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

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

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

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

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

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

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

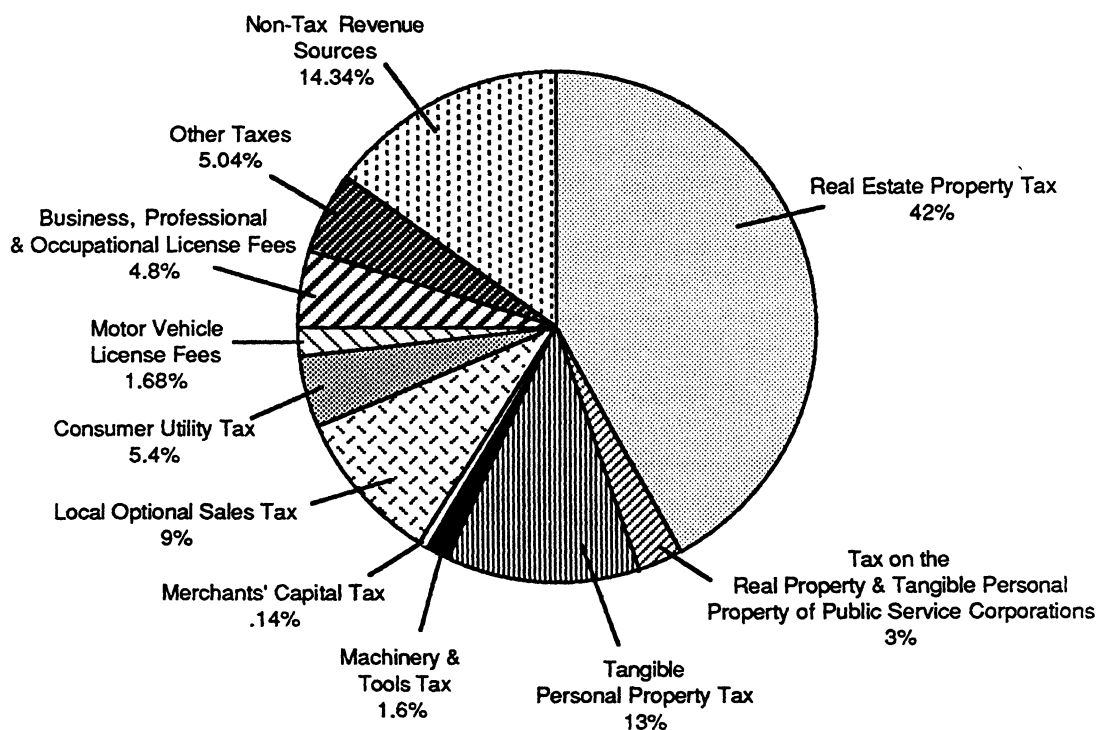
Non-tax revenue sources include permits, privilege fees, regulatory licenses, fines and forfeitures, charges for services (e.g., sanitation), revenue from use of money and property, and others.

Source: JLARC staff analysis of Auditor of Public Accounts and Department of Taxation Virginia tax information.

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Figure 10  
**Local Revenue Sources in Virginia**



*Note:* Percentages represent proportion of local revenue statewide.

Source: JLARC staff analysis of Auditor of Public Accounts data for FY 1986.

From the 1950s to the early 1970s, major changes in the mix of local resources occurred. These included the adoption of local option sales taxes and the urbanization of many localities. These factors subsequently led to the expansion of many non-property tax revenue sources. By FY 1970, 50 percent of locally raised revenue came from the real property tax, eight percent from the tangible personal property tax, and 10 percent from the local sales tax. The remaining 32 percent came from all other property and non-property taxes as well as miscellaneous revenue sources.

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

## CALCULATING REVENUE CAPACITY

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

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

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

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

### Measuring Real Estate and PSC Property Revenue

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

### Measuring Tangible Personal Property Revenues

Revenues derived from tangible personal property taxes consist of taxes levied on motor vehicles, boats, machinery and tools, and other items. Assessment procedures and tax rates vary across localities. Local commissioners of revenue indicated that the levy on motor vehicles produces the majority of all revenue from tangible personal property taxes. Subsequent analysis also showed a strong relationship between the number of motor vehicles in each locality and its total levies for tangible personal property taxes.



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Exhibit 3

**Computing Revenue Capacity**

**Revenue Capacity =**

- + [Estimated True Value of Real Estate Property] x [Statewide Average Tax Rate]
- + [Estimated True Value of PSC Property] x [Statewide Average Tax Rate]
- + [Number of Motor Vehicles] x [Statewide Average Personal Property Tax Rate]
- + [Number of Motor Vehicles] x [Statewide Average of Local Motor Vehicle License Fees]
- + Sales Tax Revenue
- + [AGI] x [Average "Other" Tax Rate]

**Example: City of Winchester**

**Revenue Capacity =**

- + [\$584,595,000] x [.00860]
- + [\$24,052,000] x [.00765]
- + [14,535] x [\$117.59]
- + [15,197] x [\$15.49]
- + \$2,835,935
- + [\$193,859,288] x [.02027] = \$ 13,921,549.75

Source: JLARC graphic of Commission on Local Government data.

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Therefore, the number of motor vehicles registered in each locality was used as a surrogate for the actual size of the tax base, which may include additional items.

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

## Measuring Motor Vehicle License and Retail Sales Revenues

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

## Measuring "Other" Revenues

"Other" revenues consist of taxes or fees levied by localities on consumer utility bills, business, professional, and occupational licenses (BPOL), merchants' capital, transient occupancy, meals, and admissions. These "other" taxes are often referred to as "consumption taxes," because their yield varies as local residents consume goods and services. Traditionally, personal income has been used as a proxy for measuring these other revenue sources. However, personal income data are currently not available beyond 1984, and will no longer be provided by the federal government for all Virginia cities and counties. For this reason, other proxies were examined to represent and measure "other" revenues.

Because consumer utility tax revenues and BPOL fees make up part of the "other" revenue base, they appeared to be potential proxies for the total size of the base. In addition, sales tax revenues were examined as a possible proxy, because the size of this revenue base is also dependent on the consumption behavior of locality residents. Finally, AGI was assessed as a potential proxy to replace personal income used in the traditional revenue capacity computation.

Several problems precluded the use of consumer utility tax revenues and BPOL fees as proxies for "other" revenue sources. The tax base for these sources of revenue changes each billing period (usually on a monthly basis). For example, the consumer utility tax is a percentage of monthly utility charges, which varies according to the amount of the utility used. Unlike real or personal property, a tax base for these sources cannot be estimated at one point in time. The base constantly varies within the year depending on the level of consumption. If the size of the tax base cannot be determined at one fixed point in time, then the statewide tax rate for these sources cannot be determined either.

Instead, sales tax revenues and AGI were examined as possible proxies for the "other" sources. Sales tax revenues and AGI appeared to be equally good at predicting the size of the "other" revenue base. AGI was chosen to proxy "other" revenues, however, because it represented the least change to the current methodology. In addition, because sales tax revenues were not a better proxy measure than AGI, it seemed appropriate to continue to use some measure of income to represent these "other" sources of local revenue. While AGI is not a better measure of individual income than personal income, it is currently the only available measure.

## Advantages of the Revenue Capacity Measure

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

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

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

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

## THE LOCAL REVENUE CAPACITY RATIO

Once the revenue capacity of each locality is measured, it becomes the basis for calculating the local revenue capacity ratio. After revenue capacity is calculated for each city and county in Virginia, it is divided by each locality's population. This ratio is then divided by an identical statewide ratio (total statewide revenue capacity divided by total statewide population). The resulting local revenue capacity ratio is a relative measure which varies by each locality. A locality with a local revenue capacity ratio greater than or equal to 1.0 can raise more revenues per unit than the State average. A ratio of less than 1.0 means less revenue can be raised per unit. The calculation of the local revenue capacity ratio is illustrated at the top of the next page.

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

**Where:**

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

**Calculating Local Shares Using the Revenue Capacity Ratio**

Once the local revenue capacity ratio has been computed, it is used to calculate local shares of SLH program funding. Local shares for the SLH program are calculated by multiplying each locality's revenue capacity ratio by the statewide local share of SLH funding:

$$\text{Local Revenue Capacity Ratio} \times \text{Total Local Share or Program Funding} = \text{Local Share}$$

For example, if the statewide local share of SLH is 25 percent, this number is multiplied by each local revenue capacity ratio to determine each local share. Using this calculation, a locality with a higher per-capita revenue capacity than the statewide average will have a higher local share. A locality with a lower per-capita revenue capacity than the statewide average will have a lower local share.

**Determining the Local Shares of the SLH Program Cost**

Before the local shares for SLH can be calculated, two decisions must be made: (1) What share of the funding responsibility should the State bear? (2) Should minimum or maximum limits be established on local shares? The current SLH formula sets the State share at 75 percent. And, like several other programs that are jointly funded by the State and localities, the current SLH program limits the amount of funds localities are required to pay to cover program costs. This ceiling on the local shares of the program is currently 25 percent. In fact, a locality must pay at least this amount to participate in the program.

**State Share of the SLH Program Funding**

Changes to the current State share for funding SLH were explored during the formula review. In 1986, the Joint Subcommittee Established to Study Alternatives for a Long-term State Indigent Health Care Policy

recommended changing the State share from 75 to 80 percent. This change would have taken place as a result of other recommendations to strengthen State control for the program through established uniform eligibility criteria and the development of local plans for SLH. While an aggregate State share of 80 percent for the program was examined, it is not used in the analysis in this report. Recommendations to enhance State control of the SLH program in previous chapters do, however, support a funding arrangement in which the State continues to pay for 75 percent of the total program costs.

### Implementing a Ceiling on Locality Shares of SLH Costs

Changes were also explored for imposing limits on the amount any locality would contribute for the SLH program. Currently, all localities that choose to participate pay for 25 percent of the costs of the program. While the imposition of a maximum limit or ceiling on the amounts localities contribute may limit the achievement of equity, it is necessary to ensure that the State participates in the funding of SLH in every locality. Without a ceiling, localities with a revenue capacity ratio of 1.0 or above would have a local share of 100 percent. If the State chooses to mandate a uniform SLH program statewide, it seems appropriate for the State to fund a portion of the program in every locality.

A ceiling on local shares imposes an artificial constraint on a revised formula. A ceiling makes it difficult to distribute the funding responsibility so that the total State share can be precisely predicted. For example, a locality may be able to generate revenues to pay for 35 percent of its total SLH costs. Under an option in which the State imposes a ceiling on local shares of 25 percent, the State would pay to provide the 10 percent difference between the 25 percent cap and the 35 percent that the locality could afford to pay.

In many other programs, the State traditionally has paid these excess costs. In a sense then, the State pays to maintain a policy which allows ceilings on local shares to be imposed. This results in fluctuations of the overall State share of the program costs. Under the alternatives described later in this chapter, the aggregate State share would fluctuate between 75 and 80 percent.

For this analysis, ceilings of 25 and 50 percent were examined for their impacts on local shares. In other words, even if a locality is able to contribute up to 60 or 70 percent for the program, the most they would be required to contribute is 25 or 50 percent. These ceilings were selected for three reasons. First, under both options, a ceiling ensures that the State will continue to provide funds for at least one-half of each locality's program. Second, recommendations in this report support increased State control of the program; therefore, ceilings higher than 50 percent did not appear appropriate. And finally, an option for capping the local shares at 50 percent seems appropriate because some localities have the ability to generate adequate revenues to pay for more than 25 percent of the program.

### Adjusting the Local Shares for Income Variations

As outlined earlier in this chapter, the local revenue capacity ratio is the most accurate measure currently available of the revenues accessible by a

locality, given a constant tax rate. Local shares calculated using this ratio result in a more equitable distribution of the local responsibility for the SLH program.

However, use of the local revenue capacity ratio does not recognize that some localities with high revenue generating capacities may also have relatively low average incomes. An adjustment for income variations recognizes that localities with residents who have lower incomes may have greater difficulty in taxing at statewide rates.

Therefore, options have been developed for consideration with an income adjustment, which is calculated as follows:

(1) 
$$\frac{\text{Local Median AGI}}{\text{State Median AGI}} = \text{Income Adjustment Ratio}$$

(2) 
$$\text{Income Adjustment Ratio} \times \text{SLH Local Share} = \text{SLH Local Share with Income Adjustment}$$

This adjustment has been applied to the shares calculated using the local revenue capacity ratio and proposed formula. Like the local revenue capacity ratio, this income adjustment varies around 1.0. Localities with incomes above the State median (an income adjustment ratio greater than 1.0) experience an increase in their local shares, while localities below the State median (an income adjustment ratio less than 1.0) have their shares reduced. However, even with the adjustment for income variations, no locality's share would exceed the specified ceiling on local shares. Table 5 lists the local shares calculated using the revenue capacity ratio alone and with the application of the income adjustment.

An option could also be developed to apply a partial adjustment for income to local shares calculated using the revenue capacity ratio. While this option is not presented in this report, it could be considered as a policy choice for developing local shares for the SLH program.

Table 5

LOCAL SHARES WITH THE LOCAL REVENUE CAPACITY RATIO

| Locality         | Local                        | Shares using Local |                                | Income           | Shares using Local   |                                            |
|------------------|------------------------------|--------------------|--------------------------------|------------------|----------------------|--------------------------------------------|
|                  | Revenue<br>Capacity<br>Ratio | Revenue<br>50% Cap | Local<br>Cap. Ratio<br>25% Cap | Adjust.<br>Ratio | Rev. Cap.<br>50% Cap | Ratio with<br>Income Adjustment<br>25% Cap |
| <i>Counties:</i> |                              |                    |                                |                  |                      |                                            |
| Accomack         | .7697                        | .1924              | .1924                          | .6538            | .1258                | .1258                                      |
| Albemarle        | 1.1310                       | .2827              | .2500                          | 1.0821           | .3060                | .2500                                      |
| Alleghany        | .7482                        | .1871              | .1871                          | .9803            | .1834                | .1834                                      |
| Amelia           | .8994                        | .2249              | .2249                          | .7741            | .1741                | .1741                                      |
| Amherst          | .7132                        | .1783              | .1783                          | .9338            | .1665                | .1665                                      |
| Appomattox       | .7825                        | .1956              | .1956                          | .8427            | .1648                | .1648                                      |
| Arlington        | 1.6522                       | .4131              | .2500                          | 1.3217           | .5000                | .2500                                      |
| Augusta          | .8963                        | .2241              | .2241                          | .9498            | .2128                | .2128                                      |
| Bath             | 2.0563                       | .5000              | .2500                          | .7756            | .3987                | .2500                                      |
| Bedford          | .9380                        | .2345              | .2345                          | .9893            | .2320                | .2320                                      |
| Bland            | .6035                        | .1509              | .1509                          | .8232            | .1242                | .1242                                      |
| Botetourt        | .8623                        | .2156              | .2156                          | 1.0134           | .2185                | .2185                                      |
| Brunswick        | .6874                        | .1719              | .1719                          | .6782            | .1166                | .1166                                      |
| Buchanan         | .7461                        | .1865              | .1865                          | .8718            | .1626                | .1626                                      |
| Buckingham       | .7633                        | .1908              | .1908                          | .6905            | .1318                | .1318                                      |
| Campbell         | .7765                        | .1941              | .1941                          | .9567            | .1857                | .1857                                      |
| Caroline         | .8320                        | .2080              | .2080                          | .7949            | .1653                | .1653                                      |
| Carroll          | .6195                        | .1549              | .1549                          | .7764            | .1202                | .1202                                      |
| Charles City     | .8697                        | .2174              | .2174                          | .7775            | .1691                | .1691                                      |
| Charlotte        | .7189                        | .1797              | .1797                          | .6980            | .1254                | .1254                                      |
| Chesterfield     | 1.0967                       | .2742              | .2500                          | 1.4540           | .3986                | .2500                                      |
| Clarke           | 1.1326                       | .2832              | .2500                          | .9203            | .2606                | .2500                                      |
| Craig            | .8109                        | .2027              | .2027                          | .9197            | .1864                | .1864                                      |
| Culpeper         | 1.0255                       | .2564              | .2500                          | .8784            | .2252                | .2252                                      |
| Cumberland       | .7396                        | .1849              | .1849                          | .6868            | .1270                | .1270                                      |
| Dickenson        | .7340                        | .1835              | .1835                          | .8485            | .1557                | .1557                                      |
| Dinwiddie        | .7530                        | .1882              | .1882                          | .8205            | .1544                | .1544                                      |
| Essex            | 1.0296                       | .2574              | .2500                          | .7564            | .1947                | .1947                                      |
| Fairfax          | 1.4569                       | .3642              | .2500                          | 1.5414           | .5000                | .2500                                      |
| Fauquier         | 1.4056                       | .3514              | .2500                          | 1.1529           | .4051                | .2500                                      |
| Floyd            | .7836                        | .1959              | .1959                          | .8390            | .1644                | .1644                                      |
| Fluvanna         | 1.0078                       | .2519              | .2500                          | .8608            | .2169                | .2169                                      |
| Franklin         | .8183                        | .2046              | .2046                          | .8625            | .1764                | .1764                                      |
| Frederick        | 1.0056                       | .2514              | .2500                          | .9449            | .2375                | .2375                                      |
| Giles            | .7528                        | .1882              | .1882                          | .9057            | .1705                | .1705                                      |
| Gloucester       | .9985                        | .2496              | .2496                          | 1.0371           | .2589                | .2500                                      |
| Goochland        | 1.1620                       | .2905              | .2500                          | .9524            | .2767                | .2500                                      |
| Grayson          | .6261                        | .1565              | .1565                          | .7042            | .1102                | .1102                                      |
| Greene           | .8660                        | .2165              | .2165                          | .9372            | .2029                | .2029                                      |
| Greensville      | .7075                        | .1769              | .1769                          | .7429            | .1314                | .1314                                      |
| Halifax          | .6635                        | .1659              | .1659                          | .7708            | .1279                | .1279                                      |
| Hanover          | 1.1328                       | .2832              | .2500                          | 1.1659           | .3302                | .2500                                      |
| Henrico          | 1.0958                       | .2740              | .2500                          | 1.1558           | .3166                | .2500                                      |
| Henry            | .7923                        | .1981              | .1981                          | .8329            | .1650                | .1650                                      |
| Highland         | 1.0798                       | .2700              | .2500                          | .8050            | .2173                | .2173                                      |
| Isle of Wight    | .9573                        | .2393              | .2393                          | 1.0145           | .2428                | .2428                                      |
| James City       | 1.2701                       | .3175              | .2500                          | .9850            | .3128                | .2500                                      |
| King and Queen   | .8859                        | .2215              | .2215                          | .7501            | .1661                | .1661                                      |
| King George      | .9103                        | .2276              | .2276                          | .9847            | .2241                | .2241                                      |
| King William     | .9587                        | .2397              | .2397                          | .9533            | .2285                | .2285                                      |

Table 5

LOCAL SHARES WITH THE LOCAL REVENUE CAPACITY RATIO  
(Continued)

| Locality       | Local                        | Shares using Local |                       | Income<br>Adjust.<br>Ratio | Shares using Local                    |                                     |
|----------------|------------------------------|--------------------|-----------------------|----------------------------|---------------------------------------|-------------------------------------|
|                | Revenue<br>Capacity<br>Ratio | Revenue<br>50% Cap | Cap. Ratio<br>25% Cap |                            | Rev. Cap.<br>Income Adjust<br>50% Cap | Ratio with<br>Adjustment<br>25% Cap |
| Lancaster      | 1.1677                       | .2919              | .2500                 | .8193                      | .2392                                 | .2392                               |
| Lee            | .5147                        | .1287              | .1287                 | .6962                      | .0896                                 | .0896                               |
| Loudoun        | 1.5340                       | .3835              | .2500                 | 1.4309                     | .5000                                 | .2500                               |
| Louisa         | 1.7994                       | .4498              | .2500                 | .8109                      | .3648                                 | .2500                               |
| Lunenburg      | .6592                        | .1648              | .1648                 | .6738                      | .1111                                 | .1111                               |
| Madison        | .9518                        | .2380              | .2380                 | .8120                      | .1932                                 | .1932                               |
| Mathews        | 1.0415                       | .2604              | .2500                 | .9485                      | .2470                                 | .2470                               |
| Mecklenburg    | .7813                        | .1953              | .1953                 | .7123                      | .1391                                 | .1391                               |
| Middlesex      | 1.1375                       | .2844              | .2500                 | .8031                      | .2284                                 | .2284                               |
| Montgomery     | .6793                        | .1698              | .1698                 | .8141                      | .1382                                 | .1382                               |
| Nelson         | 1.0544                       | .2636              | .2500                 | .8067                      | .2127                                 | .2127                               |
| New Kent       | .9468                        | .2367              | .2367                 | 1.1145                     | .2638                                 | .2500                               |
| Northampton    | .6692                        | .1673              | .1673                 | .5907                      | .0988                                 | .0988                               |
| Northumberland | 1.1212                       | .2803              | .2500                 | .7726                      | .2166                                 | .2166                               |
| Nottoway       | .6983                        | .1746              | .1746                 | .7508                      | .1311                                 | .1311                               |
| Orange         | 1.0166                       | .2541              | .2500                 | .8707                      | .2213                                 | .2213                               |
| Page           | .7729                        | .1932              | .1932                 | .7685                      | .1485                                 | .1485                               |
| Patrick        | .7284                        | .1821              | .1821                 | .8155                      | .1485                                 | .1485                               |
| Pittsylvania   | .6649                        | .1662              | .1662                 | .7973                      | .1325                                 | .1325                               |
| Powhatan       | .8372                        | .2093              | .2093                 | 1.0890                     | .2279                                 | .2279                               |
| Prince Edward  | .6323                        | .1581              | .1581                 | .7168                      | .1133                                 | .1133                               |
| Prince George  | .5850                        | .1463              | .1463                 | 1.0624                     | .1554                                 | .1554                               |
| Prince William | 1.0418                       | .2604              | .2500                 | 1.3763                     | .3585                                 | .2500                               |
| Pulaski        | .7524                        | .1881              | .1881                 | .8973                      | .1688                                 | .1688                               |
| Rappahannock   | 1.2429                       | .3107              | .2500                 | .9157                      | .2845                                 | .2500                               |
| Richmond       | 1.0240                       | .2560              | .2500                 | .7940                      | .2033                                 | .2033                               |
| Roanoke        | .9731                        | .2433              | .2433                 | 1.1381                     | .2769                                 | .2500                               |
| Rockbridge     | .8548                        | .2137              | .2137                 | .8207                      | .1754                                 | .1754                               |
| Rockingham     | .8639                        | .2160              | .2160                 | .8865                      | .1915                                 | .1915                               |
| Russell        | .6521                        | .1630              | .1630                 | .8380                      | .1366                                 | .1366                               |
| Scott          | .5541                        | .1385              | .1385                 | .8869                      | .1229                                 | .1229                               |
| Shenandoah     | .9859                        | .2465              | .2465                 | .8088                      | .1993                                 | .1993                               |
| Smyth          | .6224                        | .1556              | .1556                 | .7824                      | .1217                                 | .1217                               |
| Southampton    | .8211                        | .2053              | .2053                 | .8872                      | .1821                                 | .1821                               |
| Spotsylvania   | 1.1252                       | .2813              | .2500                 | 1.1463                     | .3225                                 | .2500                               |
| Stafford       | .8719                        | .2180              | .2180                 | 1.2137                     | .2646                                 | .2500                               |
| Surry          | 2.6161                       | .5000              | .2500                 | .7903                      | .5000                                 | .2500                               |
| Sussex         | .8943                        | .2236              | .2236                 | .7277                      | .1627                                 | .1627                               |
| Tazewell       | .6897                        | .1724              | .1724                 | .8648                      | .1491                                 | .1491                               |
| Warren         | .9317                        | .2329              | .2329                 | .9132                      | .2127                                 | .2127                               |
| Washington     | .7212                        | .1803              | .1803                 | .8007                      | .1444                                 | .1444                               |
| Westmoreland   | .9463                        | .2366              | .2366                 | .7266                      | .1719                                 | .1719                               |
| Wise           | .6941                        | .1735              | .1735                 | .9154                      | .1589                                 | .1589                               |
| Wythe          | .7273                        | .1818              | .1818                 | .7586                      | .1379                                 | .1379                               |
| York           | .9638                        | .2410              | .2410                 | 1.0719                     | .2583                                 | .2500                               |



Table 5

LOCAL SHARES WITH THE LOCAL REVENUE CAPACITY RATIO  
(Continued)

| Locality         | Local                        | Shares using Local |                       | Income<br>Adjust.<br>Ratio | Shares using Local                        |                       |
|------------------|------------------------------|--------------------|-----------------------|----------------------------|-------------------------------------------|-----------------------|
|                  | Revenue<br>Capacity<br>Ratio | Revenue<br>50% Cap | Cap. Ratio<br>25% Cap |                            | Rev. Cap.<br>Income Adjustment<br>50% Cap | Ratio with<br>25% Cap |
| <i>Cities:</i>   |                              |                    |                       |                            |                                           |                       |
| Alexandria       | 1.6403                       | .4101              | .2500                 | 1.2172                     | .4991                                     | .2500                 |
| Bedford City     | .7590                        | .1897              | .1897                 | .7686                      | .1458                                     | .1458                 |
| Bristol          | 1.0081                       | .2520              | .2500                 | .7541                      | .1901                                     | .1901                 |
| Buena Vista      | .6297                        | .1574              | .1574                 | .8467                      | .1333                                     | .1333                 |
| Charlottesville  | .9128                        | .2282              | .2282                 | .7702                      | .1758                                     | .1758                 |
| Chesapeake       | .8990                        | .2248              | .2248                 | 1.0541                     | .2369                                     | .2369                 |
| Clifton Forge    | .6647                        | .1662              | .1662                 | .7664                      | .1274                                     | .1274                 |
| Colonial Heights | .8977                        | .2244              | .2244                 | 1.0867                     | .2439                                     | .2439                 |
| Covington        | .8096                        | .2024              | .2024                 | .7712                      | .1561                                     | .1561                 |
| Danville         | .7724                        | .1931              | .1931                 | .7556                      | .1459                                     | .1459                 |
| Emporia          | .8637                        | .2159              | .2159                 | .7066                      | .1526                                     | .1526                 |
| Fairfax City     | 1.5288                       | .3822              | .2500                 | 1.3494                     | .5000                                     | .2500                 |
| Falls Church     | 2.5387                       | .5000              | .2500                 | 1.1134                     | .5000                                     | .2500                 |
| Franklin City    | .8455                        | .2114              | .2114                 | .8513                      | .1799                                     | .1799                 |
| Fredericksburg   | .9822                        | .2456              | .2456                 | .8879                      | .2180                                     | .2180                 |
| Galax            | .9464                        | .2366              | .2366                 | .6944                      | .1643                                     | .1643                 |
| Hampton          | .8041                        | .2010              | .2010                 | .9654                      | .1941                                     | .1941                 |
| Harrisonburg     | .8974                        | .2244              | .2244                 | .8086                      | .1814                                     | .1814                 |
| Hopewell         | .7351                        | .1838              | .1838                 | .8973                      | .1649                                     | .1649                 |
| Lexington        | .6528                        | .1632              | .1632                 | .8878                      | .1449                                     | .1449                 |
| Lynchburg        | .8561                        | .2140              | .2140                 | .8414                      | .1801                                     | .1801                 |
| Manassas         | 1.3660                       | .3415              | .2500                 | 1.2971                     | .4429                                     | .2500                 |
| Manassas Park    | .6439                        | .1610              | .1610                 | 1.1134                     | .1792                                     | .1792                 |
| Martinsville     | .9341                        | .2335              | .2335                 | .7506                      | .1753                                     | .1753                 |
| Newport News     | .7941                        | .1985              | .1985                 | .9622                      | .1910                                     | .1910                 |
| Norfolk          | .6603                        | .1651              | .1651                 | .7954                      | .1313                                     | .1313                 |
| Norton           | .8077                        | .2019              | .2019                 | .7993                      | .1614                                     | .1614                 |
| Petersburg       | .7160                        | .1790              | .1790                 | .7081                      | .1267                                     | .1267                 |
| Poquoson         | .9640                        | .2410              | .2410                 | 1.2364                     | .2980                                     | .2500                 |
| Portsmouth       | .6611                        | .1653              | .1653                 | .8764                      | .1449                                     | .1449                 |
| Radford          | .6494                        | .1623              | .1623                 | .9220                      | .1497                                     | .1497                 |
| Richmond City    | .9597                        | .2399              | .2399                 | .8058                      | .1933                                     | .1933                 |
| Roanoke City     | .8855                        | .2214              | .2214                 | .7789                      | .1724                                     | .1724                 |
| Salem            | .9736                        | .2434              | .2434                 | .9484                      | .2308                                     | .2308                 |
| South Boston     | .7161                        | .1790              | .1790                 | .7828                      | .1401                                     | .1401                 |
| Staunton         | .8246                        | .2061              | .2061                 | .8402                      | .1732                                     | .1732                 |
| Suffolk          | .8012                        | .2003              | .2003                 | .8835                      | .1773                                     | .1773                 |
| Virginia Beach   | .9772                        | .2443              | .2443                 | 1.0243                     | .2502                                     | .2500                 |
| Waynesboro       | 1.0275                       | .2569              | .2500                 | .9055                      | .2326                                     | .2326                 |
| Williamsburg     | 1.3738                       | .3434              | .2500                 | .8072                      | .2772                                     | .2500                 |
| Winchester       | 1.0572                       | .2643              | .2500                 | .8222                      | .2173                                     | .2173                 |

Source: JLARC staff analysis.



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## V. EVALUATING THE SLH DISTRIBUTION OPTIONS

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Three program goals were set forth to assist in the development of a revised funding formula for the SLH program: (1) to develop cost estimates that promote the achievement of equal access by appropriate clients to needed hospital-related services, (2) to promote the equitable distribution of local funding responsibility for the program across localities, and (3) to preserve a funding arrangement in which the State and localities share the responsibility for financing the program. Chapter III presented alternative cost estimates for the SLH program which promote the achievement of equal access. Chapter IV presented options for calculating local shares so that the program funding would be distributed equitably. This chapter builds on the previous two chapters to establish a framework for apportioning the SLH funding responsibility between the State and localities.

Several options exist to distribute the funding responsibility for the program between the State and localities. First, several cost estimates have been made for the SLH program. These cost estimates vary from providing minimum service levels in participating localities, to providing service levels that promote the achievement of equal access to SLH in all localities. Second, several adjustments can be made to the calculation of local shares. Adjustments to the caps on local shares could be made ranging from 25 to 50 percent. In addition, local shares can also be adjusted to account for income variations between localities.

One SLH cost estimate was selected to demonstrate how program costs can be distributed between the State and localities using the revised local share calculations. The cost estimate selected provides for the achievement of a minimum level of equal access to all SLH-reimbursed services in all Virginia localities. This cost estimate totals \$12,735,579 for FY 1989 and \$13,385,093 for FY 1990. After the cost estimate was selected, the State and local share of funding the program was distributed for the 1988-1990 biennium using: (1) revised local shares, and (2) revised local shares with the income adjustment.

### Distributing SLH Funds Using Revised Local Shares

Two options exist to distribute SLH funds using the revised local shares. The first option distributes the SLH cost estimate described above for the total program. Costs are distributed using local shares based on the local revenue capacity ratio. These shares were calculated using a targeted State share of program funding of 75 percent. A ceiling of 25 percent was established on the local shares.

The second option is a variation of the first option. In this distribution, costs are also distributed using local shares based on the local revenue capacity ratio. In addition, the targeted State share of the program funding is 75 percent. However, in contrast to the first option, a ceiling of 50 percent was established on the local shares. Table 6 illustrates these two distribution options. Appendixes B and C provide detailed information on State and local shares under these options.

Table 6

**Apportionment of SLH Costs to  
State and Local Governments Using Shares  
Based on the Local Revenue Capacity Ratio**

**Option 1:**

Cost estimates for providing SLH reimbursements for all services in all localities.

Targeted State share of program costs = 75 Percent  
Cap on local share of program costs = 25 Percent

|                       | <u>FY 1988 Budget</u> | <u>FY 1989</u>   | <u>FY 1990</u>   | <u>Biennium Total</u> |
|-----------------------|-----------------------|------------------|------------------|-----------------------|
| Total State Share     | \$7,789,374 *         | \$9,964,404 **   | \$10,472,588 **  | \$20,436,992 **       |
| Total Local Share     | <u>2,263,125</u>      | <u>2,771,175</u> | <u>2,912,505</u> | <u>5,683,680</u>      |
| Total Costs Allocated | \$10,052,499          | \$12,735,579     | \$13,385,093     | \$26,120,672          |

**Option 2:**

Cost estimates for providing SLH reimbursements for all services in all localities.

Targeted State share of program costs = 75 Percent  
Cap on local share of program costs = 50 Percent

|                       | <u>FY 1988 Budget</u> | <u>FY 1989</u>   | <u>FY 1990</u>   | <u>Biennium Total</u> |
|-----------------------|-----------------------|------------------|------------------|-----------------------|
| Total State Share     | \$7,789,374 *         | \$9,445,189 **   | \$9,926,894 **   | \$19,372,083 **       |
| Total Local Share     | <u>2,263,125</u>      | <u>3,290,390</u> | <u>3,485,199</u> | <u>6,748,589</u>      |
| Total Costs Allocated | \$10,052,499          | \$12,735,579     | \$13,385,093     | \$26,120,672          |

\* Includes \$1 million program reserve fund.

\*\* Does not include JLARC-recommended \$500,000 annual reserve fund for SLH.

Source: JLARC staff analysis of SLH program costs and distribution.

### Distributing SLH Funds Using Revised Local Shares with an Income Adjustment

JLARC staff also developed two options to distribute SLH funds using the revised local shares with an income adjustment. As mentioned earlier in this report, an income adjustment recognizes that localities with residents who have lower incomes may have greater difficulty in taxing at statewide rates. The third and fourth options presented here distribute SLH program costs using local shares calculated with this income adjustment. These shares were also calculated using a targeted State share of program funding of 75 percent. For the third option a ceiling of 25 percent was established on the local shares. The fourth and final option is identical to the third option, except that a ceiling of 50 percent was established on the local shares. Table 7 illustrates these two distribution options. Appendixes D and E provide detailed information on State and local shares under these options.

Table 7

**Apportionment of SLH Costs to  
State and Local Governments Using Shares Based on the  
Local Revenue Capacity Ratio with an Income Adjustment**

**Option 3:**

Cost estimates for providing SLH reimbursements for all services in all localities.

Targeted State share of program costs = 75 Percent  
Cap on local share of program costs = 25 Percent

|                       | <u>FY 1988 Budget</u> | <u>FY 1989</u>   | <u>FY 1990</u>   | <u>Biennium Total</u> |
|-----------------------|-----------------------|------------------|------------------|-----------------------|
| Total State Share     | \$7,789,374*          | \$10,180,151**   | \$10,699,339**   | \$20,879,490**        |
| Total Local Share     | <u>2,263,125</u>      | <u>2,555,428</u> | <u>2,685,754</u> | <u>5,241,182</u>      |
| Total Costs Allocated | \$10,052,499          | \$12,735,579     | \$13,385,093     | \$26,120,672          |

**Option 4:**

Cost estimates for providing SLH reimbursements for all services in all localities.

Targeted State share of program costs = 75 Percent  
Cap on local share of program costs = 50 Percent

|                       | <u>FY 1988 Budget</u> | <u>FY 1989</u>   | <u>FY 1990</u>   | <u>Biennium Total</u> |
|-----------------------|-----------------------|------------------|------------------|-----------------------|
| Total State Share     | \$7,789,374*          | \$9,212,671**    | \$9,682,518**    | \$18,895,189**        |
| Total Local Share     | <u>2,263,125</u>      | <u>3,522,908</u> | <u>3,702,575</u> | <u>7,225,483</u>      |
| Total Costs Allocated | \$10,052,499          | \$12,735,579     | \$13,385,093     | \$26,120,672          |

\* Includes \$1 million program reserve fund.

\*\* Does not include JLARC-recommended \$500,000 annual reserve fund for SLH.

Source: JLARC staff analysis of SLH program costs and distribution.

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## APPENDIXES

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APPENDIX A

STUDY MANDATE

**SENATE JOINT RESOLUTION NO. 87**

*Requesting the Joint Legislative Audit and Review Commission to study the formulas used in the State/Local Hospitalization and State/Local Cooperative Health Department Program and make recommendations for revision.*

Agreed to by the Senate, March 3, 1986  
Agreed to by the House of Delegates, February 27, 1986

**WHEREAS**, the State/Local Hospitalization (SLH) and State/Local Cooperative Health Department Programs are funded through state and local efforts based on a formulaic determination; and

**WHEREAS**, the General Assembly's Joint Subcommittee Studying Alternatives for a Long-Term Indigent Health Care Policy reviewed in 1985 and 1986 problems associated with formulas applied in the two health programs; and

**WHEREAS**, the SLH formula is based strictly on population and is allocated on a semi-annual basis with a reserve fund to reimburse localities exceeding their initial allocation; and

**WHEREAS**, in identifying problems with the SLH formula the joint subcommittee noted that: (i) funds are based on population with no adjustments for the size of the poverty population or access of residents to teaching hospitals; (ii) funds are distributed to all localities regardless of whether they participate in the program, with excess reverting to the reserve fund; and (iii) reserve funds are disbursed retrospectively on a reimbursement basis and therefore the locality must have and risk local funds without assurance of reimbursement; and

**WHEREAS**, the State/Local Health Department Cooperative Formula, which was initiated in 1954, has undergone little change to reflect changes in fiscal management. The local match requirement is based on a locality's fiscal condition measured by the true value of real estate, contributing to disparities between health departments. Although local real estate taxes used to be the single most important source of local taxes, localities today have a more diversified tax base; now, therefore, be it

**RESOLVED** by the Senate, the House of Delegates concurring, That the Joint Legislative Audit and Review Commission review the formulas used in the State/Local Hospitalization and State/Local Cooperative Health Department Programs, and make recommendations on formula revisions and include cost estimates for alternative plans. The Commission shall complete its work prior to November 15, 1987; and, be it

**RESOLVED FURTHER**, That the Clerk of the Senate prepare a copy of this resolution for presentation to the Director of the Joint Legislative Audit and Review Commission.



## APPENDIX B (OPTION 1): Apportionment of State and Local Shares for Funding the SLH Program Using the Local Revenue Capacity Ratio

| LOCALITY *                                | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-------------------------------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LOCALITIES CURRENTLY PARTICIPATING IN SLH |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| Counties:                                 |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ACCOMACK                                  | 175,822 25                 | 141,989 65             | 33,832.60              | 184,789 18                 | 149,231.12             | 35,558 06              | 360,611.43                  | 291,220.76              | 69,390.66               |
| ALLEGHANY                                 | 13,275.71                  | 10,792 37              | 2,483 33               | 13,952 77                  | 11,342 79              | 2,609 98               | 27,228 47                   | 22,135 16               | 5,093.31                |
| AMHERST                                   | 29,530 65                  | 24,265 61              | 5,265.05               | 31,036 72                  | 25,503 15              | 5,533 57               | 60,567 37                   | 49,768 76               | 10,798 61               |
| APPOMATTOX                                | 13,255 85                  | 10,662 84              | 2,593 01               | 13,931 90                  | 11,206 65              | 2,725 26               | 27,187 76                   | 21,869 49               | 5,318 27                |
| ARLINGTON                                 | 747,438 72                 | 560,579.04             | 186,859.68             | 785,558 09                 | 589,168.57             | 196,389 52             | 1,532,996 81                | 1,149,747.61            | 383,249 20              |
| AUGUSTA                                   | 48,465 42                  | 37,605.56              | 10,859 87              | 50,937 16                  | 39,523 44              | 11,413 72              | 99,402.59                   | 77,128 99               | 22,273 59               |
| BATH                                      | 6,045 76                   | 4,534.32               | 1,511 44               | 6,354.09                   | 4,765 57               | 1,588.52               | 12,399 85                   | 9,299 88                | 3,099.96                |
| BLAND                                     | 6,584 01                   | 5,590 64               | 993 37                 | 6,919 80                   | 5,875.76               | 1,044 04               | 13,503 81                   | 11,466.40               | 2,037 41                |
| BOTETOURT                                 | 26,342 65                  | 20,663.88              | 5,678.77               | 27,686 12                  | 21,717.73              | 5,968 39               | 54,028 77                   | 42,381.61               | 11,647.16               |
| BUCHANAN                                  | 58,575.87                  | 47,650 49              | 10,925.38              | 61,563 24                  | 50,080 67              | 11,482 57              | 120,139 11                  | 97,731 16               | 22,407.95               |
| CAMPBELL                                  | 47,390 87                  | 38,191.54              | 9,199 33               | 49,807 81                  | 40,139 31              | 9,668 50               | 97,198.68                   | 78,330 84               | 18,867.83               |
| CAROLINE                                  | 21,510.81                  | 17,036.37              | 4,474 44               | 22,607 86                  | 17,905 22              | 4,702.64               | 44,118.68                   | 34,941 59               | 9,177.09                |
| CARROLL                                   | 28,373 74                  | 23,979.48              | 4,394.26               | 29,820 80                  | 25,202.44              | 4,618.36               | 58,194.54                   | 49,181.92               | 9,012 62                |
| CHARLES CITY                              | 7,998.36                   | 6,259 32               | 1,739.04               | 8,406 28                   | 6,578 55               | 1,827 73               | 16,404.64                   | 12,837 87               | 3,566 77                |
| CHARLOTTE                                 | 18,978 59                  | 15,567.79              | 3,410.80               | 19,946 50                  | 16,361 75              | 3,584.75               | 38,925.09                   | 31,929 54               | 6,995.55                |
| CHESTERFIELD                              | 202,338 27                 | 151,753.70             | 50,584.57              | 212,657 52                 | 159,493 14             | 53,164 38              | 414,995.78                  | 311,246.84              | 103,748 95              |
| CLARKE                                    | 9,460.10                   | 7,095 07               | 2,365 02               | 9,942 56                   | 7,456 92               | 2,485.64               | 19,402.66                   | 14,551 99               | 4,850.66                |
| CULPEPER                                  | 29,350 82                  | 22,013 11              | 7,337.70               | 30,847 71                  | 23,135 78              | 7,711 93               | 60,198 52                   | 45,148 89               | 15,049.63               |
| CUMBERLAND                                | 4,897 90                   | 3,992 31               | 905.60                 | 5,147 69                   | 4,195.91               | 951 78                 | 10,045.60                   | 8,188 22                | 1,857.38                |
| DICKENSON                                 | 17,227.73                  | 14,066 40              | 3,161.34               | 18,106 35                  | 14,783 78              | 3,322 56               | 35,334.08                   | 28,850 18               | 6,483 90                |
| DINWIDDIE                                 | 22,465 45                  | 18,236.61              | 4,228.84               | 23,611 19                  | 19,166.68              | 4,444 51               | 46,076.64                   | 37,403.29               | 8,673.35                |
| FAIRFAX CO                                | 1,539,557.46               | 1,154,668 09           | 384,889 36             | 1,618,074 89               | 1,213,556 17           | 404,518 72             | 3,157,632.35                | 2,368,224.26            | 789,408.09              |
| FAUQUIER                                  | 49,179 45                  | 36,884 59              | 12,294.86              | 51,687.60                  | 38,765.70              | 12,921 90              | 100,867 06                  | 75,650 29               | 25,216 76               |
| FLOYD                                     | 12,798 20                  | 10,291.04              | 2,507 16               | 13,450 91                  | 10,815.88              | 2,635 02               | 26,249.11                   | 21,106 92               | 5,142.18                |
| FRANKLIN                                  | 35,936 45                  | 28,584.49              | 7,351.96               | 37,769 21                  | 30,042 30              | 7,726 91               | 73,705 67                   | 58,626 80               | 15,078 87               |
| FREDERICK                                 | 42,430 30                  | 31,822.73              | 10,607 58              | 44,594.25                  | 33,445 69              | 11,148.56              | 87,024 55                   | 65,268 41               | 21,756 14               |
| GILES                                     | 19,706 81                  | 15,998.05              | 3,708.76               | 20,711 86                  | 16,813 95              | 3,897 91               | 40,418.67                   | 32,812 00               | 7,606 67                |
| GLOUCESTER                                | 29,621 46                  | 22,227 50              | 7,393.96               | 31,132 16                  | 23,361 11              | 7,771.05               | 60,753 62                   | 45,588 61               | 15,165 01               |
| GOOCHLAND                                 | 15,899 78                  | 11,924 84              | 3,974 95               | 16,710 67                  | 12,533 00              | 4,177 67               | 32,610.45                   | 24,457 84               | 8,152.61                |
| GRAYSON                                   | 15,068 02                  | 12,709.32              | 2,358.70               | 15,836 49                  | 13,357 49              | 2,479.00               | 30,904 51                   | 26,066.81               | 4,837.70                |
| GREENSVILLE                               | 18,713 25                  | 15,403.26              | 3,309.99               | 19,667.62                  | 16,188.82              | 3,478 80               | 38,380.87                   | 31,592.08               | 6,788 79                |
| HALIFAX                                   | 32,675 89                  | 27,255 51              | 5,420.38               | 34,342 36                  | 28,645 54              | 5,696.82               | 67,018 25                   | 55,901 05               | 11,117.20               |
| HENRICO                                   | 252,287 97                 | 189,215 98             | 63,071.99              | 265,154 66                 | 198,865.99             | 66,288 66              | 517,442 63                  | 388,081.97              | 129,360.66              |
| HENRY                                     | 51,348 10                  | 41,177 69              | 10,170.41              | 53,966.85                  | 43,277 76              | 10,689.10              | 105,314 95                  | 84,455 45               | 20,859.50               |
| HIGHLAND                                  | 2,550 59                   | 1,912 94               | 637.65                 | 2,680 67                   | 2,010 50               | 670 17                 | 5,231 26                    | 3,923 44                | 1,307.81                |
| ISLE OF WIGHT                             | 27,330 24                  | 20,789.36              | 6,540.88               | 28,724.08                  | 21,849 61              | 6,874 47               | 56,054 32                   | 42,638 97               | 13,415.35               |
| JAMES CITY                                | 29,250.42                  | 21,937.81              | 7,312.60               | 30,742 19                  | 23,056.64              | 7,685 55               | 59,992.60                   | 44,994.45               | 14,998.15               |
| KING AND QUEEN                            | 4,615.64                   | 3,593 36               | 1,022.28               | 4,851.04                   | 3,776 62               | 1,074.42               | 9,466.68                    | 7,369 98                | 2,096 70                |
| KING GEORGE                               | 13,745.35                  | 10,617.40              | 3,127.95               | 14,446 36                  | 11,158.88              | 3,287 48               | 28,191 71                   | 21,776 28               | 6,415.43                |
| LANCASTER                                 | 14,930 32                  | 11,197.74              | 3,732 58               | 15,691 77                  | 11,768 83              | 3,922.94               | 30,622 10                   | 22,966 57               | 7,655 52                |
| LEE                                       | 58,705.80                  | 51,151 64              | 7,554.16               | 61,699 80                  | 53,760 37              | 7,939.42               | 120,405.59                  | 104,912.01              | 15,493.58               |
| LOUDOUN                                   | 157,621.76                 | 118,216.32             | 39,405 44              | 165,660.47                 | 124,245.35             | 41,415 12              | 323,282.23                  | 242,461.67              | 80,820 56               |
| LUNENBURG                                 | 11,677 37                  | 9,752 87               | 1,924.50               | 12,272 91                  | 10,250 26              | 2,022 65               | 23,950.28                   | 20,003 13               | 3,947 15                |
| MADISON                                   | 14,018 07                  | 10,682 32              | 3,335 75               | 14,732 99                  | 11,227 12              | 3,505 87               | 28,751 06                   | 21,909 44               | 6,841 62                |
| MECKLENBURG                               | 22,158.24                  | 17,830 19              | 4,328.05               | 23,288 30                  | 18,739 52              | 4,548 78               | 45,446 54                   | 36,569 71               | 8,876 83                |

**APPENDIX B (OPTION 1): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *       | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MONTGOMERY       | 71,469 04                  | 59,332 50              | 12,136.53              | 75,113.96                  | 62,358 46              | 12,755 50              | 146,582.99                  | 121,690 97              | 24,892 03               |
| NORTHAMPTON      | 56,942 19                  | 47,415 76              | 9,526 44               | 59,846 25                  | 49,833 96              | 10,012 28              | 116,788 44                  | 97,249 72               | 19,538 72               |
| NORTHUMBERLAND   | 12,686 49                  | 9,514 87               | 3,171 62               | 13,333 50                  | 10,000 13              | 3,333 38               | 26,020 00                   | 19,515 00               | 6,505 00                |
| ORANGE           | 19,313 34                  | 14,485 00              | 4,828 33               | 20,298.32                  | 15,223 74              | 5,074 58               | 39,611 65                   | 29,708 74               | 9,902 91                |
| PAGE             | 21,226 94                  | 17,125 55              | 4,101.39               | 22,309 51                  | 17,998 95              | 4,310 56               | 43,536 45                   | 35,124 51               | 8,411 94                |
| PATRICK          | 16,890 10                  | 13,814 21              | 3,075 88               | 17,751.49                  | 14,518 74              | 3,232 75               | 34,641 59                   | 28,332.95               | 6,308 63                |
| PITTSYLVANIA     | 71,230 59                  | 59,391 12              | 11,839.46              | 74,863 35                  | 62,420 07              | 12,443 28              | 146,093 93                  | 121,811 19              | 24,282 74               |
| PRINCE EDWARD    | 14,654 04                  | 12,337 69              | 2,316 35               | 15,401 39                  | 12,966 91              | 2,434 48               | 30,055 43                   | 25,304 61               | 4,750 82                |
| PRINCE GEORGE    | 27,375 01                  | 23,371 22              | 4,003 80               | 28,771 14                  | 24,563 15              | 4,207 99               | 56,146 15                   | 47,934 37               | 8,211 78                |
| PRINCE WILLIAM   | 220,125 88                 | 165,094 41             | 55,031 47              | 231,352 30                 | 173,514 22             | 57,838 07              | 451,478 17                  | 338,608 63              | 112,869 54              |
| PULASKI          | 32,996 62                  | 26,790 17              | 6,206 45               | 34,679 44                  | 28,156 47              | 6,522 98               | 67,676 06                   | 54,946 64               | 12,729 42               |
| RAPPAHANNOCK     | 7,928.28                   | 5,946 21               | 1,982.07               | 8,332 62                   | 6,249 47               | 2,083 16               | 16,260 90                   | 12,195 68               | 4,065 23                |
| ROANOKE CO       | 72,758.79                  | 55,058 27              | 17,700.52              | 76,469 49                  | 57,866.24              | 18,603 24              | 149,228.28                  | 112,924.51              | 36,303.76               |
| ROCKBRIDGE       | 18,714 21                  | 14,715 01              | 3,999.20               | 19,668 63                  | 15,465.48              | 4,203.16               | 38,382 84                   | 30,180.49               | 8,202 36                |
| RUSSELL          | 31,640 89                  | 26,482.94              | 5,157 95               | 33,254 57                  | 27,833.56              | 5,421 01               | 64,895 46                   | 54,316 50               | 10,578 96               |
| SCOTT            | 32,924.07                  | 28,363.24              | 4,560 83               | 34,603 19                  | 29,809 76              | 4,793.43               | 67,527 26                   | 58,173 00               | 9,354 26                |
| SHENANDOAH       | 46,058 51                  | 34,706 84              | 11,351.67              | 48,407 49                  | 36,476 89              | 11,930 61              | 94,466.00                   | 71,183.72               | 23,282.28               |
| SMYTH            | 50,692 26                  | 42,804.55              | 7,887.71               | 53,277.57                  | 44,987 58              | 8,289.99               | 103,969 83                  | 87,792.13               | 16,177 70               |
| SOUTHAMPTON      | 19,947.61                  | 15,852 73              | 4,094.88               | 20,964.94                  | 16,661.22              | 4,303.72               | 40,912 54                   | 32,513 94               | 8,398 60                |
| SPOTSLVANIA      | 43,536 87                  | 32,652 65              | 10,884.22              | 45,757 25                  | 34,317.94              | 11,439.31              | 89,294.12                   | 66,970 59               | 22,323 53               |
| STAFFORD         | 49,343 15                  | 38,587.23              | 10,755.92              | 51,859.65                  | 40,555 17              | 11,304.47              | 101,202 79                  | 79,142.40               | 22,060 39               |
| SURRY            | 6,269 42                   | 4,702.07               | 1,567.36               | 6,589 16                   | 4,941 87               | 1,647 29               | 12,858.58                   | 9,643.94                | 3,214 65                |
| SUSSEX           | 16,371 86                  | 12,711.33              | 3,660 52               | 17,206 82                  | 13,359 61              | 3,847.21               | 33,578 68                   | 26,070 95               | 7,507 73                |
| TAZEWELL         | 97,797 01                  | 80,933 88              | 16,863.13              | 102,784 66                 | 85,061 51              | 17,723 15              | 200,581 67                  | 165,995 39              | 34,586 28               |
| WARREN           | 35,416 59                  | 27,167.57              | 8,249.02               | 37,222.84                  | 28,553 12              | 8,669.72               | 72,639.43                   | 55,720.69               | 16,918 74               |
| WASHINGTON       | 48,515 53                  | 39,768 24              | 8,747.29               | 50,989 83                  | 41,796 42              | 9,193.40               | 99,505.36                   | 81,564.67               | 17,940 69               |
| WESTMORELAND     | 17,001 48                  | 12,979 47              | 4,022 01               | 17,868 55                  | 13,641 42              | 4,227 13               | 34,870 03                   | 26,620.90               | 8,249 13                |
| WISE             | 48,477 88                  | 40,065 20              | 8,412 68               | 50,950.25                  | 42,108 52              | 8,841.73               | 99,428 13                   | 82,173 72               | 17,254 41               |
| WYTHE            | 24,591 82                  | 20,120 22              | 4,471.60               | 25,846.00                  | 21,146 35              | 4,699 65               | 50,437 83                   | 41,266 57               | 9,171 25                |
| YORK             | 44,033 09                  | 33,423.16              | 10,609.93              | 46,278 78                  | 35,127 74              | 11,151 04              | 90,311 87                   | 68,550 90               | 21,760 97               |
| Cities:          |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ALEXANDRIA       | 938,282 09                 | 703,711 57             | 234,570.52             | 986,134.48                 | 739,600 86             | 246,533 62             | 1,924,416.57                | 1,443,312.43            | 481,104.14              |
| BEDFORD          | 5,924.90                   | 4,800 73               | 1,124.17               | 6,227 07                   | 5,045 56               | 1,181 51               | 12,151.97                   | 9,846.29                | 2,305 68                |
| BUENA VISTA      | 5,796 58                   | 4,883.98               | 912.59                 | 6,092.20                   | 5,133.07               | 959 14                 | 11,888 78                   | 10,017.05               | 1,871 73                |
| CHARLOTTESVILLE  | 62,415.32                  | 48,172 39              | 14,242.93              | 65,598.50                  | 50,629 18              | 14,969.32              | 128,013 83                  | 98,801.57               | 29,212.26               |
| CHESAPEAKE       | 252,227 43                 | 195,537 75             | 56,689.68              | 265,091 03                 | 205,510 18             | 59,580 85              | 517,318 46                  | 401,047.93              | 116,270 53              |
| CLIFTON FORGE    | 5,021.62                   | 4,187.18               | 834 44                 | 5,277.73                   | 4,400.73               | 876.99                 | 10,299 35                   | 8,587 92                | 1,711 43                |
| COLONIAL HEIGHTS | 16,887 24                  | 13,097 18              | 3,790 07               | 17,748.49                  | 13,765 13              | 3,983 36               | 34,635 74                   | 26,862.31               | 7,773 43                |
| COVINGTON        | 7,459 49                   | 5,949.77               | 1,509 72               | 7,839.92                   | 6,253.21               | 1,586.71               | 15,299.41                   | 12,202.98               | 3,096.43                |
| DANVILLE         | 41,431 12                  | 33,430 40              | 8,000.72               | 43,544 11                  | 35,135.35              | 8,408.76               | 84,975.23                   | 68,565.75               | 16,409.48               |
| EMPORIA          | 9,790 62                   | 7,676 57               | 2,114 05               | 10,289 94                  | 8,068.07               | 2,221.87               | 20,080 56                   | 15,744 64               | 4,335 92                |
| FAIRFAX CITY     | 50,314.41                  | 37,735 81              | 12,578.60              | 52,880 45                  | 39,660 34              | 13,220.11              | 103,194 86                  | 77,396.14               | 25,798.71               |
| FALLS CHURCH     | 14,985 21                  | 11,238 91              | 3,746 30               | 15,749.45                  | 11,812 09              | 3,937 36               | 30,734.66                   | 23,051 00               | 7,683 67                |
| FRANKLIN         | 6,630 17                   | 5,228 78               | 1,401.38               | 6,968 30                   | 5,495 45               | 1,472 85               | 13,598.47                   | 10,724 24               | 2,874 23                |
| FREDERICKSBURG   | 26,569 29                  | 20,044.94              | 6,524.35               | 27,924.32                  | 21,067.23              | 6,857.10               | 54,493.61                   | 41,112 16               | 13,381 45               |
| HAMPTON          | 171,782 54                 | 137,250 82             | 34,531.72              | 180,543.44                 | 144,250.61             | 36,292 83              | 352,325 98                  | 281,501 43              | 70,824 55               |
| HOPEWELL         | 25,199 49                  | 20,568 53              | 4,630 96               | 26,484.66                  | 21,617 52              | 4,867 14               | 51,684.15                   | 42,186 05               | 9,498 10                |
| LEXINGTON        | 5,845.09                   | 4,891.19               | 953.90                 | 6,143 19                   | 5,140 64               | 1,002 55               | 11,988 28                   | 10,031 83               | 1,956 45                |

**APPENDIX B (OPTION 1): Apportionment of State and Local Shares for Funding the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *     | FY 1989 TOTAL SLH COSTS | FY 1989 STATE SHARE | FY 1989 LOCAL SHARE | FY 1990 TOTAL SLH COSTS | FY 1990 STATE SHARE | FY 1990 LOCAL SHARE | BIENNIUM TOTAL SLH COSTS | BIENNIUM STATE SHARE | BIENNIUM LOCAL SHARE |
|----------------|-------------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|--------------------------|----------------------|----------------------|
| LYNCHBURG      | 93,325 39               | 73,352 27           | 19,973. 12          | 98,084 98               | 77,093 23           | 20,991 75           | 191,410 37               | 150,445 50           | 40,964 87            |
| MANASSAS       | 26,193 58               | 19,645 18           | 6,548. 39           | 27,529 45               | 20,647. 09          | 6,882 36            | 53,723 03                | 40,292 27            | 13,430. 76           |
| NEWPORT NEWS   | 516,803 62              | 414,206 02          | 102,597. 60         | 543,160 60              | 435,330 52          | 107,830 08          | 1,059,964 22             | 849,536. 54          | 210,427. 68          |
| NORFOLK        | 1,742,348 76            | 1,454,745. 47       | 287,603 29          | 1,831,208 55            | 1,528,937. 49       | 302,271 06          | 3,573,557. 31            | 2,983,682 96         | 589,874. 35          |
| PETERSBURG     | 100,544 11              | 82,547. 13          | 17,996 98           | 105,671 86              | 86,757 04           | 18,914. 82          | 206,215. 97              | 169,304 17           | 36,911. 80           |
| POQUOSON       | 10,703 17               | 8,123. 66           | 2,579 51            | 11,249 03               | 8,537. 97           | 2,711 06            | 21,952 21                | 16,661 64            | 5,290. 57            |
| PORTSMOUTH     | 526,417 60              | 439,415 11          | 87,002. 49          | 553,264 90              | 461,825 28          | 91,439 61           | 1,079,682. 50            | 901,240 39           | 178,442. 10          |
| RADFORD        | 14,780 09               | 12,380. 73          | 2,399. 37           | 15,533 88               | 13,012 14           | 2,521 73            | 30,313. 97               | 25,392. 87           | 4,921. 10            |
| RICHMOND CITY  | 922,436 06              | 701,129. 32         | 221,306 74          | 969,480. 30             | 736,886. 92         | 232,593. 38         | 1,891,916. 35            | 1,438,016 24         | 453,900. 11          |
| ROANOKE CITY   | 239,508 39              | 186,486 24          | 53,022. 15          | 251,723 32              | 195,997 04          | 55,726 28           | 491,231. 71              | 382,483 28           | 108,748 43           |
| SALEM          | 23,613 90               | 17,866 19           | 5,747 71            | 24,818 21               | 18,777 37           | 6,040 84            | 48,432 11                | 36,643. 56           | 11,788 55            |
| SOUTH BOSTON   | 9,735 99                | 7,992 94            | 1,743 05            | 10,232 53               | 8,400 58            | 1,831. 94           | 19,968. 52               | 16,393 53            | 3,574. 99            |
| STAUNTON       | 21,250 71               | 16,870 03           | 4,380. 69           | 22,334 50               | 17,730 40           | 4,604 10            | 43,585 21                | 34,600 42            | 8,984. 79            |
| SUFFOLK        | 320,799 88              | 256,544 89          | 64,254. 99          | 337,160 67              | 269,628. 68         | 67,531 99           | 657,960. 55              | 526,173 57           | 131,786. 98          |
| VIRGINIA BEACH | 715,929 62              | 541,028 48          | 174,901. 14         | 752,442. 03             | 568,620 93          | 183,821. 10         | 1,468,371 66             | 1,109,649. 42        | 358,722. 24          |
| WAYNESBORO     | 13,270 67               | 9,953 00            | 3,317. 67           | 13,947 48               | 10,460 61           | 3,486 87            | 27,218 15                | 20,413. 61           | 6,804. 54            |
| WILLIAMSBURG   | 11,786 61               | 8,839. 96           | 2,946 65            | 12,387. 73              | 9,290 80            | 3,096 93            | 24,174. 35               | 18,130 76            | 6,043. 59            |

LOCALITIES CURRENTLY NOT PARTICIPATING IN SLH

Counties

|              |            |            |            |            |            |           |             |            |            |
|--------------|------------|------------|------------|------------|------------|-----------|-------------|------------|------------|
| ALBEMARLE    | 62,180 56  | 46,635 42  | 15,545. 14 | 65,351 77  | 49,013 83  | 16,337 94 | 127,532 33  | 95,649. 24 | 31,883. 08 |
| AMELIA       | 8,676 36   | 6,725 40   | 1,950. 96  | 9,118 85   | 7,068 39   | 2,050 46  | 17,795 21   | 13,793 79  | 4,001. 42  |
| BEDFORD      | 39,560 06  | 30,283 36  | 9,276 70   | 41,577. 62 | 31,827 81  | 9,749. 81 | 81,137 67   | 62,111. 16 | 19,026. 51 |
| BRUNSWICK    | 16,526 40  | 13,686 20  | 2,840 19   | 17,369 24  | 14,384. 20 | 2,985. 04 | 33,895 64   | 28,070 40  | 5,825 23   |
| BUCKINGHAM   | 12,601 38  | 10,196 67  | 2,404 70   | 13,244 05  | 10,716 70  | 2,527. 34 | 25,845. 42  | 20,913 38  | 4,932. 04  |
| CRAIG        | 4,338 18   | 3,458 68   | 879. 50    | 4,559 43   | 3,635. 07  | 924 35    | 8,897 60    | 7,093 75   | 1,803 85   |
| ESSEX        | 9,192 81   | 6,894. 61  | 2,298 20   | 9,661 64   | 7,246 23   | 2,415 41  | 18,854 45   | 14,140 84  | 4,713 61   |
| FLUVANNA     | 10,845 45  | 8,134 09   | 2,711. 36  | 11,398 56  | 8,548 92   | 2,849 64  | 22,244 01   | 16,683 01  | 5,561. 00  |
| GREENE       | 8,779 65   | 6,878 91   | 1,900. 73  | 9,227 41   | 7,229. 74  | 1,997 67  | 18,007. 06  | 14,108 65  | 3,898. 40  |
| HANOVER      | 54,537 10  | 40,902. 83 | 13,634 28  | 57,318. 49 | 42,988. 87 | 14,329 62 | 111,855 60  | 83,891 70  | 27,963 90  |
| KING WILLIAM | 10,432 29  | 7,931 98   | 2,500. 31  | 10,964 33  | 8,336 51   | 2,627. 82 | 21,396 62   | 16,268 49  | 5,128. 13  |
| LOUISA       | 19,625 09  | 14,718. 82 | 4,906 27   | 20,625 97  | 15,469. 48 | 5,156. 49 | 40,251. 07  | 30,188. 30 | 10,062. 77 |
| MATHEWS      | 8,986 23   | 6,739 67   | 2,246. 56  | 9,444 52   | 7,083 39   | 2,361. 13 | 18,430. 75  | 13,823. 06 | 4,607. 69  |
| MIDDLESEX    | 8,779 65   | 6,584 74   | 2,194. 91  | 9,227 41   | 6,920. 56  | 2,306 85  | 18,007. 06  | 13,505 29  | 4,501. 76  |
| NELSON       | 12,807 96  | 9,605. 97  | 3,201. 99  | 13,461 16  | 10,095. 87 | 3,365. 29 | 26,269. 12  | 19,701. 84 | 6,567. 28  |
| NEW KENT     | 10,432 29  | 7,963 06   | 2,469 22   | 10,964 33  | 8,369 18   | 2,595. 16 | 21,396. 62  | 16,332 24  | 5,064. 38  |
| NOTTOWAY     | 14,977 04  | 12,362 61  | 2,614. 43  | 15,740. 87 | 12,993. 10 | 2,747 77  | 30,717. 92  | 25,355 71  | 5,362 20   |
| POMHATAN     | 13,840. 86 | 10,943 93  | 2,896. 93  | 14,546. 74 | 11,502. 07 | 3,044. 67 | 28,387. 60  | 22,445 99  | 5,941. 60  |
| RICHMOND CO  | 7,230 30   | 5,422 72   | 1,807. 57  | 7,599. 04  | 5,699 28   | 1,899. 76 | 14,829 34   | 11,122. 01 | 3,707. 34  |
| ROCKINGHAM   | 55,363. 42 | 43,405. 94 | 11,957. 48 | 58,186 96  | 45,619 64  | 12,567 31 | 113,550. 38 | 89,025 58  | 24,524. 79 |

Cities

|               |           |           |           |           |           |           |            |            |            |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| BRISTOL       | 18,592 19 | 13,944 15 | 4,648. 05 | 19,540 40 | 14,655 30 | 4,885. 10 | 38,132 59  | 28,599. 44 | 9,533. 15  |
| GALAX         | 7,127 01  | 5,440 80  | 1,686 20  | 7,490 49  | 5,718. 29 | 1,772 20  | 14,617. 49 | 11,159. 09 | 3,458. 40  |
| HARRISONBURG  | 27,371 84 | 21,230 65 | 6,141. 19 | 28,767 80 | 22,313 41 | 6,454. 39 | 56,139. 64 | 43,544. 06 | 12,595. 58 |
| MANASSAS PARK | 7,127 01  | 5,979 80  | 1,147. 21 | 7,490 49  | 6,284. 77 | 1,205 71  | 14,617 49  | 12,264. 57 | 2,352 92   |

**APPENDIX B (OPTION 1): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *      | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MARTINSVILLE    | 19,315 22                  | 14,804 81              | 4,510 42               | 20,300.30                  | 15,559.85              | 4,740 45               | 39,615 52                   | 30,364 66               | 9,250 87                |
| NORTON          | 4,854 63                   | 3,874 38               | 980.25                 | 5,102 21                   | 4,071 97               | 1,030.25               | 9,956 84                    | 7,946 34                | 2,010 50                |
| WINCHESTER      | 21,381 02                  | 16,035 77              | 5,345.26               | 22,471.45                  | 16,853 59              | 5,617.86               | 43,852.48                   | 32,889 36               | 10,963 12               |
| Locality Totals | \$ 12,735,578 72           | \$ 9,964,403.50        | \$ 2,771,175.22        | \$ 13,385,093.22           | \$ 10,472,588 07       | \$ 2,912,505 16        | \$ 26,120,671.94            | \$ 20,436,991 56        | \$ 5,683,680 38         |

SPECIAL NOTES:

\* Fairfax City and Poquoson are not currently allocated SLH funds through the funding formula. Rather, they participate through neighboring county programs.

## APPENDIX C (OPTION 2): Apportionment of State and Local Shares for Funding the SLH Program Using the Local Revenue Capacity Ratio

| LOCALITY *                                | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-------------------------------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LOCALITIES CURRENTLY PARTICIPATING IN SLH |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| Counties                                  |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ACCOMACK                                  | 175,822.25                 | 141,989.65             | 33,832.60              | 184,789.18                 | 149,231.12             | 35,558.06              | 360,611.43                  | 291,220.76              | 69,390.66               |
| ALLEGHANY                                 | 13,275.71                  | 10,792.37              | 2,483.33               | 13,952.77                  | 11,342.79              | 2,609.98               | 27,228.47                   | 22,135.16               | 5,093.31                |
| AMHERST                                   | 29,530.65                  | 24,265.61              | 5,265.05               | 31,036.72                  | 25,503.15              | 5,533.57               | 60,567.37                   | 49,768.76               | 10,798.61               |
| APPOMATTOX                                | 13,255.85                  | 10,662.84              | 2,593.01               | 13,931.90                  | 11,206.65              | 2,725.26               | 27,187.76                   | 21,869.49               | 5,318.27                |
| ARLINGTON                                 | 747,438.72                 | 438,702.24             | 308,736.48             | 785,558.09                 | 461,076.05             | 324,482.04             | 1,532,996.81                | 899,778.28              | 633,218.52              |
| AUGUSTA                                   | 48,465.42                  | 37,605.56              | 10,859.87              | 50,937.16                  | 39,523.44              | 11,413.72              | 99,402.59                   | 77,128.99               | 22,273.59               |
| BATH                                      | 6,045.76                   | 3,022.88               | 3,022.88               | 6,354.09                   | 3,177.04               | 3,177.04               | 12,399.85                   | 6,199.92                | 6,199.92                |
| BLAND                                     | 6,584.01                   | 5,590.64               | 993.37                 | 6,919.80                   | 5,875.76               | 1,044.04               | 13,503.81                   | 11,466.40               | 2,037.41                |
| BOTETOURT                                 | 26,342.65                  | 20,663.88              | 5,678.77               | 27,686.12                  | 21,717.73              | 5,968.39               | 54,028.77                   | 42,381.61               | 11,647.16               |
| BUCHANAN                                  | 58,575.87                  | 47,650.49              | 10,925.38              | 61,563.24                  | 50,080.67              | 11,482.57              | 120,139.11                  | 97,731.16               | 22,407.95               |
| CAMPBELL                                  | 47,390.87                  | 38,191.54              | 9,199.33               | 49,807.81                  | 40,139.31              | 9,668.50               | 97,198.68                   | 78,330.84               | 18,867.83               |
| CAROLINE                                  | 21,510.81                  | 17,036.37              | 4,474.44               | 22,607.86                  | 17,905.22              | 4,702.64               | 44,118.68                   | 34,941.59               | 9,177.09                |
| CARROLL                                   | 28,373.74                  | 23,979.48              | 4,394.26               | 29,820.80                  | 25,202.44              | 4,618.36               | 58,194.54                   | 49,012.92               | 9,181.62                |
| CHARLES CITY                              | 7,998.36                   | 6,259.32               | 1,739.04               | 8,406.28                   | 6,578.55               | 1,827.73               | 16,404.64                   | 12,837.87               | 3,566.77                |
| CHARLOTTE                                 | 18,978.59                  | 15,567.79              | 3,410.80               | 19,946.50                  | 16,361.75              | 3,584.75               | 38,925.09                   | 31,929.54               | 6,995.55                |
| CHESTERFIELD                              | 202,338.27                 | 146,863.42             | 55,474.85              | 212,657.52                 | 154,353.45             | 58,304.06              | 414,995.78                  | 301,216.87              | 113,778.91              |
| CLARKE                                    | 9,460.10                   | 6,781.45               | 2,678.65               | 9,942.56                   | 7,127.30               | 2,815.26               | 19,402.66                   | 13,908.75               | 5,493.90                |
| CULPEPER                                  | 29,350.82                  | 21,825.99              | 7,524.83               | 30,847.71                  | 22,939.11              | 7,908.59               | 60,198.52                   | 44,765.10               | 15,433.42               |
| CUMBERLAND                                | 4,897.90                   | 3,992.31               | 905.60                 | 5,147.69                   | 4,195.91               | 951.78                 | 10,045.60                   | 8,188.22                | 1,857.38                |
| DICKENSON                                 | 17,227.73                  | 14,066.40              | 3,161.34               | 18,106.35                  | 14,783.78              | 3,322.56               | 35,334.08                   | 28,850.18               | 6,483.90                |
| DINWIDDIE                                 | 22,465.45                  | 18,236.61              | 4,228.84               | 23,611.19                  | 19,166.68              | 4,444.51               | 46,076.64                   | 37,403.29               | 8,673.35                |
| FAIRFAX CO                                | 1,539,557.46               | 978,828.47             | 560,728.99             | 1,618,074.89               | 1,028,748.72           | 589,326.17             | 3,157,632.35                | 2,007,577.19            | 1,150,055.16            |
| FAUQUIER                                  | 49,179.45                  | 31,897.77              | 17,281.68              | 51,687.60                  | 33,524.55              | 18,163.05              | 100,867.06                  | 65,422.32               | 35,444.74               |
| FLOYD                                     | 12,798.20                  | 10,291.04              | 2,507.16               | 13,450.91                  | 10,815.88              | 2,635.02               | 26,249.11                   | 21,106.92               | 5,142.18                |
| FRANKLIN                                  | 35,936.45                  | 28,584.49              | 7,351.96               | 37,769.21                  | 30,042.30              | 7,726.91               | 73,705.67                   | 58,626.80               | 15,078.87               |
| FREDERICK                                 | 42,430.30                  | 31,763.53              | 10,666.78              | 44,594.25                  | 33,383.47              | 11,210.78              | 87,024.55                   | 65,146.99               | 21,877.56               |
| GILES                                     | 19,706.81                  | 15,998.05              | 3,708.76               | 20,711.86                  | 16,813.95              | 3,897.91               | 40,418.67                   | 32,812.00               | 7,606.67                |
| GLOUCESTER                                | 29,621.46                  | 22,227.50              | 7,393.96               | 31,132.16                  | 23,361.11              | 7,771.05               | 60,753.62                   | 45,588.61               | 15,165.01               |
| GOOCHLAND                                 | 15,899.78                  | 11,281.02              | 4,618.76               | 16,710.67                  | 11,856.35              | 4,854.32               | 32,610.45                   | 23,137.37               | 9,473.08                |
| GRAYSON                                   | 15,068.02                  | 12,709.32              | 2,358.70               | 15,836.49                  | 13,357.49              | 2,479.00               | 30,904.51                   | 26,066.81               | 4,837.70                |
| GREENSVILLE                               | 18,713.25                  | 15,403.26              | 3,309.99               | 19,667.62                  | 16,188.82              | 3,478.80               | 38,380.87                   | 31,592.08               | 6,788.79                |
| HALIFAX                                   | 32,675.89                  | 27,255.51              | 5,420.38               | 34,342.36                  | 28,645.54              | 5,696.82               | 67,018.25                   | 55,901.05               | 11,117.20               |
| HENRICO                                   | 252,287.97                 | 183,172.82             | 69,115.15              | 265,154.66                 | 192,514.64             | 72,640.02              | 517,442.63                  | 375,687.46              | 141,755.17              |
| HENRY                                     | 51,348.10                  | 41,177.69              | 10,170.41              | 53,966.85                  | 43,277.76              | 10,689.10              | 105,314.95                  | 84,455.45               | 20,859.50               |
| HIGHLAND                                  | 2,550.59                   | 1,862.05               | 688.54                 | 2,680.67                   | 1,957.02               | 723.65                 | 5,231.26                    | 3,819.07                | 1,412.19                |
| ISLE OF WIGHT                             | 27,330.24                  | 20,789.36              | 6,540.88               | 28,724.08                  | 21,849.61              | 6,874.47               | 56,054.32                   | 42,638.97               | 13,415.35               |
| JAMES CITY                                | 29,250.42                  | 19,962.57              | 9,287.85               | 30,742.19                  | 20,980.66              | 9,761.53               | 59,992.60                   | 40,943.23               | 19,049.37               |
| KING AND QUEEN                            | 4,615.64                   | 3,593.36               | 1,022.28               | 4,851.04                   | 3,776.62               | 1,074.42               | 9,466.68                    | 7,369.98                | 2,096.70                |
| KING GEORGE                               | 13,745.35                  | 10,617.40              | 3,127.95               | 14,446.36                  | 11,158.88              | 3,287.48               | 28,191.71                   | 21,776.28               | 6,415.43                |
| LANCASTER                                 | 14,930.32                  | 10,571.90              | 4,358.42               | 15,691.77                  | 11,111.07              | 4,580.70               | 30,622.10                   | 21,682.97               | 8,939.12                |
| LEE                                       | 58,705.80                  | 51,151.64              | 7,554.16               | 61,699.80                  | 53,760.37              | 7,939.42               | 120,405.59                  | 104,912.01              | 15,493.58               |
| LOUDOUN                                   | 157,621.76                 | 97,172.39              | 60,449.36              | 165,660.47                 | 102,128.19             | 63,532.28              | 323,282.23                  | 199,300.58              | 123,981.65              |
| LUNENBURG                                 | 11,677.37                  | 9,752.87               | 1,924.50               | 12,272.91                  | 10,250.26              | 2,022.65               | 23,950.28                   | 20,003.13               | 3,947.15                |
| MADISON                                   | 14,018.07                  | 10,682.32              | 3,335.75               | 14,732.99                  | 11,227.12              | 3,505.87               | 28,751.06                   | 21,909.44               | 6,841.62                |
| MECKLENBURG                               | 22,158.24                  | 17,830.19              | 4,328.05               | 23,288.30                  | 18,739.52              | 4,548.78               | 45,446.54                   | 36,569.71               | 8,876.83                |

**APPENDIX C (OPTION 2): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *       | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MONTGOMERY       | 71,469 04                  | 59,332 50              | 12,136.53              | 75,113 96                  | 62,358 46              | 12,755 50              | 146,582 99                  | 121,690.97              | 24,892 03               |
| NORTHAMPTON      | 56,942 19                  | 47,415 76              | 9,526 44               | 59,846 25                  | 49,833 96              | 10,012 28              | 116,788.44                  | 97,249 72               | 19,538 72               |
| NORTHUMBERLAND   | 12,686 49                  | 9,130 43               | 3,556.07               | 13,333 50                  | 9,596 08               | 3,737 43               | 26,020 00                   | 18,726 51               | 7,293 49                |
| ORANGE           | 19,313 34                  | 14,404 98              | 4,908 36               | 20,298 32                  | 15,139 63              | 5,158 69               | 39,611 65                   | 29,544 61               | 10,067.05               |
| PAGE             | 21,226 94                  | 17,125 55              | 4,101.39               | 22,309 51                  | 17,998 95              | 4,310 56               | 43,536 45                   | 35,124 51               | 8,411 94                |
| PATRICK          | 16,890 10                  | 13,814 21              | 3,075 88               | 17,751 49                  | 14,518 74              | 3,232 75               | 34,641.59                   | 28,332.95               | 6,308.63                |
| PITTSYLVANIA     | 71,230 59                  | 59,391 12              | 11,839 46              | 74,863 35                  | 62,420 07              | 12,443 28              | 146,093 93                  | 121,811.19              | 24,282 74               |
| PRINCE EDWARD    | 14,654 04                  | 12,337 69              | 2,316.35               | 15,401.39                  | 12,966 91              | 2,434 48               | 30,055 43                   | 25,304 61               | 4,750 82                |
| PRINCE GEORGE    | 27,375 01                  | 23,371 22              | 4,003 80               | 28,771 14                  | 24,563 15              | 4,207 99               | 56,146 15                   | 47,934 37               | 8,211 78                |
| PRINCE WILLIAM   | 220,125 88                 | 162,794 91             | 57,330.97              | 231,352 30                 | 171,097 45             | 60,254 84              | 451,478 17                  | 333,892.36              | 117,585.81              |
| PULASKI          | 32,996 62                  | 26,790 17              | 6,206 45               | 34,679 44                  | 28,156 47              | 6,522 98               | 67,676 06                   | 54,946 64               | 12,729.42               |
| RAPPAHANNOCK     | 7,928 28                   | 5,464 86               | 2,463 42               | 8,332 62                   | 5,743.56               | 2,589 06               | 16,260 90                   | 11,208 42               | 5,052 48                |
| ROANOKE CO       | 72,758 79                  | 55,058 27              | 17,700.52              | 76,469 49                  | 57,866 24              | 18,603 24              | 149,228 28                  | 112,924 51              | 36,303 76               |
| ROCKBRIDGE       | 18,714 21                  | 14,715 01              | 3,999 20               | 19,668 63                  | 15,465 48              | 4,203 16               | 38,382 84                   | 30,180.49               | 8,202 36                |
| RUSSELL          | 31,640 89                  | 26,482 94              | 5,157 95               | 33,254 57                  | 27,833 56              | 5,421 01               | 64,895.46                   | 54,316 50               | 10,578 96               |
| SCOTT            | 32,924 07                  | 28,363 24              | 4,560 83               | 34,603 19                  | 29,809 76              | 4,793.43               | 67,527 26                   | 57,173 00               | 9,354 26                |
| SHENANDOAH       | 46,058 51                  | 34,706 84              | 11,351 67              | 48,407 49                  | 36,476 89              | 11,930 61              | 94,466 00                   | 71,183.72               | 23,282 28               |
| SMYTH            | 50,692 26                  | 42,804 55              | 7,887 71               | 53,277 57                  | 44,987 58              | 8,289.99               | 103,969.83                  | 87,792 13               | 16,177 70               |
| SOUTHAMPTON      | 19,947 61                  | 15,852 73              | 4,094 88               | 20,964 94                  | 16,661.22              | 4,303 72               | 40,912 54                   | 32,513 94               | 8,398.60                |
| SPOTSLVANIA      | 43,536 87                  | 31,289 83              | 12,247.04              | 45,757 25                  | 32,885 61              | 12,871 64              | 89,294.12                   | 64,175 45               | 25,118 67               |
| STAFFORD         | 49,343 15                  | 38,587 23              | 10,755.92              | 51,859 65                  | 40,555.17              | 11,304 47              | 101,202.79                  | 79,142.40               | 22,060 39               |
| SURRY            | 6,269 42                   | 3,134 71               | 3,134 71               | 6,589 16                   | 3,294 58               | 3,294 58               | 12,858 58                   | 6,429.29                | 6,429 29                |
| SUSSEX           | 16,371 86                  | 12,711.33              | 3,660 52               | 17,206 82                  | 13,359 61              | 3,847 21               | 33,578 68                   | 26,070 95               | 7,507 73                |
| TAZEWELL         | 97,797 01                  | 80,933 88              | 16,863 13              | 102,784 66                 | 85,061 51              | 17,723 15              | 200,581 67                  | 165,995.39              | 34,586 28               |
| WARREN           | 35,416 59                  | 27,167 57              | 8,249 02               | 37,222 84                  | 28,553 12              | 8,669 72               | 72,639 43                   | 55,720 69               | 16,918 74               |
| WASHINGTON       | 48,515 53                  | 39,768 24              | 8,747 29               | 50,989 83                  | 41,796 42              | 9,193 40               | 99,505 36                   | 81,564 67               | 17,940 69               |
| WESTMORELAND     | 17,001 48                  | 12,979 47              | 4,022 01               | 17,868 55                  | 13,641 42              | 4,227 13               | 34,870 03                   | 26,620 90               | 8,249 13                |
| WISE             | 48,477 88                  | 40,065 20              | 8,412 68               | 50,950 25                  | 42,108 52              | 8,841 73               | 99,428.13                   | 82,173 72               | 17,254 41               |
| WYTHE            | 24,591 82                  | 20,120 22              | 4,471 60               | 25,846 00                  | 21,146 35              | 4,699 65               | 50,437 83                   | 41,266 57               | 9,171 25                |
| YORK             | 44,033 09                  | 33,423 16              | 10,609 93              | 46,278 78                  | 35,127 74              | 11,151 04              | 90,311 87                   | 68,550.90               | 21,760 97               |
| Cities           |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ALEXANDRIA       | 938,282 09                 | 553,521.15             | 384,760 95             | 986,134 48                 | 581,750 72             | 404,383 75             | 1,924,416.57                | 1,135,271.87            | 789,144 70              |
| BEDFORD          | 5,924 90                   | 4,800.73               | 1,124 17               | 6,227 07                   | 5,045 56               | 1,181 51               | 12,151.97                   | 9,846 29                | 2,305 68                |
| BUENA VISTA      | 5,796 58                   | 4,883 98               | 912 59                 | 6,092 20                   | 5,133 07               | 959 14                 | 11,888.78                   | 10,017 05               | 1,871 73                |
| CHARLOTTESVILLE  | 62,415 32                  | 48,172 39              | 14,242.93              | 65,598 50                  | 50,629 18              | 14,969 32              | 128,013 83                  | 98,801.57               | 29,212 26               |
| CHESAPEAKE       | 252,227 43                 | 195,537.75             | 56,689 68              | 265,091.03                 | 205,510 18             | 59,580 85              | 517,318 46                  | 401,047 93              | 116,270 53              |
| CLIFTON FORGE    | 5,021 62                   | 4,187 18               | 834 44                 | 5,277 73                   | 4,400 73               | 876 99                 | 10,299 35                   | 8,587 92                | 1,711 43                |
| COLONIAL HEIGHTS | 16,887 24                  | 13,097 18              | 3,790.07               | 17,748 49                  | 13,765 13              | 3,983 36               | 34,635.74                   | 26,862 31               | 7,773 43                |
| COVINGTON        | 7,459 49                   | 5,949.77               | 1,509 72               | 7,839 92                   | 6,253 21               | 1,586 71               | 15,299 41                   | 12,202 98               | 3,096 43                |
| DANVILLE         | 41,431 12                  | 33,430 40              | 8,000 72               | 43,544 11                  | 35,135 35              | 8,408 76               | 84,975 23                   | 68,565 75               | 16,409 48               |
| EMPORIA          | 9,790 62                   | 7,676 57               | 2,114 05               | 10,289 94                  | 8,068 07               | 2,221 87               | 20,080 56                   | 15,744 64               | 4,335 92                |
| FAIRFAX CITY     | 50,314 41                  | 31,084 57              | 19,229.84              | 52,880 45                  | 32,669 88              | 20,210 56              | 103,194.86                  | 63,754 45               | 39,440 41               |
| FALLS CHURCH     | 14,985 21                  | 7,492 60               | 7,492 60               | 15,749 45                  | 7,874 73               | 7,874 73               | 30,734 66                   | 15,367 33               | 15,367 33               |
| FRANKLIN         | 6,630 17                   | 5,228 78               | 1,401.38               | 6,968 30                   | 5,495 45               | 1,472 85               | 13,598 47                   | 10,724 24               | 2,874 23                |
| FREDERICKSBURG   | 26,569 29                  | 20,044 94              | 6,524 35               | 27,924 32                  | 21,067 23              | 6,857 10               | 54,493 61                   | 41,112 16               | 13,381 45               |
| HAMPTON          | 171,782 54                 | 137,250 82             | 34,531 72              | 180,543 44                 | 144,250 61             | 36,292 83              | 352,325 98                  | 281,501 43              | 70,824 55               |
| HOPEWELL         | 25,199 49                  | 20,568 53              | 4,630 96               | 26,484 66                  | 21,617 52              | 4,867 14               | 51,684 15                   | 42,186 05               | 9,498 10                |
| LEXINGTON        | 5,845 09                   | 4,891 19               | 953 90                 | 6,143 19                   | 5,140 64               | 1,002 55               | 11,988 28                   | 10,031 83               | 1,956 45                |

**APPENDIX C (OPTION 2): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *     | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LYNCHBURG      | 93,325.39                  | 73,352.27              | 19,973.12              | 98,084.98                  | 77,093.23              | 20,991.75              | 191,410.37                  | 150,445.50              | 40,964.87               |
| MANASSAS       | 26,193.58                  | 17,248.61              | 8,944.97               | 27,529.45                  | 18,128.29              | 9,401.16               | 53,723.03                   | 35,376.90               | 18,346.13               |
| NEWPORT NEWS   | 516,803.62                 | 414,206.02             | 102,597.60             | 543,160.60                 | 435,330.52             | 107,830.08             | 1,059,964.22                | 849,536.54              | 210,427.68              |
| NORFOLK        | 1,742,348.76               | 1,454,745.47           | 287,603.29             | 1,831,208.55               | 1,528,937.49           | 302,271.06             | 3,573,557.31                | 2,983,682.96            | 589,874.35              |
| PETERSBURG     | 100,544.11                 | 82,547.13              | 17,996.98              | 105,671.86                 | 86,757.04              | 18,914.82              | 206,215.97                  | 169,304.17              | 36,911.80               |
| POQUOSON       | 10,703.17                  | 8,123.66               | 2,579.51               | 11,249.03                  | 8,537.97               | 2,711.06               | 21,952.21                   | 16,661.64               | 5,290.57                |
| PORTSMOUTH     | 526,417.60                 | 439,415.11             | 87,002.49              | 553,264.90                 | 461,825.28             | 91,439.61              | 1,079,682.50                | 901,240.39              | 178,442.10              |
| RADFORD        | 14,780.09                  | 12,380.73              | 2,399.37               | 15,533.88                  | 13,012.14              | 2,521.73               | 30,313.97                   | 25,392.87               | 4,921.10                |
| RICHMOND CITY  | 922,436.06                 | 701,129.32             | 221,306.74             | 969,480.30                 | 736,886.92             | 232,593.38             | 1,891,916.35                | 1,438,016.24            | 453,900.11              |
| ROANOKE CITY   | 239,508.39                 | 186,486.24             | 53,022.15              | 251,723.32                 | 195,997.04             | 55,726.28              | 491,231.71                  | 382,483.28              | 108,748.43              |
| SALEM          | 23,613.90                  | 17,866.19              | 5,747.71               | 24,818.21                  | 18,777.37              | 6,040.84               | 48,432.11                   | 36,643.56               | 11,788.55               |
| SOUTH BOSTON   | 9,735.99                   | 7,992.94               | 1,743.05               | 10,232.53                  | 8,400.58               | 1,831.94               | 19,968.52                   | 16,393.53               | 3,574.99                |
| STAUNTON       | 21,250.71                  | 16,870.03              | 4,380.69               | 22,334.50                  | 17,730.40              | 4,604.10               | 43,585.21                   | 34,600.42               | 8,984.79                |
| SUFFOLK        | 320,799.88                 | 256,544.89             | 64,254.99              | 337,160.67                 | 269,628.68             | 67,531.99              | 657,960.55                  | 526,173.57              | 131,786.98              |
| VIRGINIA BEACH | 715,929.62                 | 541,028.48             | 174,901.14             | 752,442.03                 | 568,620.93             | 183,821.10             | 1,468,371.66                | 1,109,649.42            | 358,722.24              |
| WAYNESBORO     | 13,270.67                  | 9,861.75               | 3,408.93               | 13,947.48                  | 10,364.70              | 3,582.78               | 27,218.15                   | 20,226.44               | 6,991.71                |
| WILLIAMSBURG   | 11,786.61                  | 7,738.54               | 4,048.08               | 12,387.73                  | 8,133.20               | 4,254.53               | 24,174.35                   | 15,871.74               | 8,302.61                |

LOCALITIES CURRENTLY NOT PARTICIPATING IN SLH

Counties

|              |           |           |           |           |           |           |            |           |           |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|
| ALBEMARLE    | 62,180.56 | 44,599.02 | 17,581.54 | 65,351.77 | 46,873.57 | 18,478.19 | 127,532.33 | 91,472.60 | 36,059.73 |
| AMELIA       | 8,676.36  | 6,725.40  | 1,950.96  | 9,118.85  | 7,068.39  | 2,050.46  | 17,795.21  | 13,793.79 | 4,001.42  |
| BEDFORD      | 39,560.06 | 30,283.36 | 9,276.70  | 41,577.62 | 31,827.81 | 9,749.81  | 81,137.67  | 62,111.16 | 19,026.51 |
| BRUNSWICK    | 16,526.40 | 13,686.20 | 2,840.19  | 17,369.24 | 14,384.20 | 2,985.04  | 33,895.64  | 28,070.40 | 5,825.23  |
| BUCKINGHAM   | 12,601.38 | 10,196.67 | 2,404.70  | 13,244.05 | 10,716.70 | 2,527.34  | 25,845.42  | 20,913.38 | 4,932.04  |
| CRAIG        | 4,338.18  | 3,458.68  | 879.50    | 4,559.43  | 3,635.07  | 924.35    | 8,897.60   | 7,093.75  | 1,803.85  |
| ESSEX        | 9,192.81  | 6,826.49  | 2,366.32  | 9,661.64  | 7,174.64  | 2,487.00  | 18,854.45  | 14,001.13 | 4,853.32  |
| FLUVANNA     | 10,845.45 | 8,113.02  | 2,732.43  | 11,398.56 | 8,526.78  | 2,871.78  | 22,244.01  | 16,639.80 | 5,604.21  |
| GREENE       | 8,779.65  | 6,878.91  | 1,900.73  | 9,227.41  | 7,229.74  | 1,997.67  | 18,007.06  | 14,108.65 | 3,898.40  |
| HANOVER      | 54,537.10 | 39,092.30 | 15,444.80 | 57,318.49 | 41,086.01 | 16,232.49 | 111,855.60 | 80,178.31 | 31,677.29 |
| KING WILLIAM | 10,432.29 | 7,931.98  | 2,500.31  | 10,964.33 | 8,336.51  | 2,627.82  | 21,396.62  | 16,268.49 | 5,128.13  |
| LOUISA       | 19,625.09 | 10,796.99 | 8,828.10  | 20,625.97 | 11,347.64 | 9,278.33  | 40,251.07  | 22,144.63 | 18,106.44 |
| MATHEWS      | 8,986.23  | 6,646.37  | 2,339.86  | 9,444.52  | 6,985.34  | 2,459.19  | 18,430.75  | 13,631.71 | 4,799.04  |
| MIDDLESEX    | 8,779.65  | 6,282.99  | 2,496.65  | 9,227.41  | 6,603.43  | 2,623.98  | 18,007.06  | 12,886.42 | 5,120.64  |
| NELSON       | 12,807.96 | 9,431.63  | 3,376.33  | 13,461.16 | 9,912.64  | 3,548.52  | 26,269.12  | 19,344.27 | 6,924.85  |
| NEW KENT     | 10,432.29 | 7,963.06  | 2,469.22  | 10,964.33 | 8,369.18  | 2,595.16  | 21,396.62  | 16,332.24 | 5,064.38  |
| NOTTOWAY     | 14,977.04 | 12,362.61 | 2,614.43  | 15,740.87 | 12,993.10 | 2,747.77  | 30,717.92  | 25,355.71 | 5,362.20  |
| POWhatan     | 13,840.86 | 10,943.93 | 2,896.93  | 14,546.74 | 11,502.07 | 3,044.67  | 28,387.60  | 22,445.99 | 5,941.60  |
| RICHMOND CO  | 7,230.30  | 5,379.30  | 1,850.99  | 7,599.04  | 5,653.65  | 1,945.39  | 14,829.34  | 11,032.95 | 3,796.39  |
| ROCKINGHAM   | 55,363.42 | 43,405.94 | 11,957.48 | 58,186.96 | 45,619.64 | 12,567.31 | 113,550.38 | 89,025.58 | 24,524.79 |

Cities

|               |           |           |          |           |           |          |           |           |           |
|---------------|-----------|-----------|----------|-----------|-----------|----------|-----------|-----------|-----------|
| BRISTOL       | 18,592.19 | 13,906.32 | 4,685.88 | 19,540.40 | 14,615.54 | 4,924.85 | 38,132.59 | 28,521.86 | 9,610.73  |
| GALAX         | 7,127.01  | 5,440.80  | 1,686.20 | 7,490.49  | 5,718.29  | 1,772.20 | 14,617.49 | 11,159.09 | 3,458.40  |
| HARRISONBURG  | 27,371.84 | 21,230.65 | 6,141.19 | 28,767.80 | 22,313.41 | 6,454.39 | 56,139.64 | 43,544.06 | 12,595.58 |
| MANASSAS PARK | 7,127.01  | 5,979.80  | 1,147.21 | 7,490.49  | 6,284.77  | 1,205.71 | 14,617.49 | 12,264.57 | 2,352.92  |

**APPENDIX C (OPTION 2): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio (Continued)**

| LOCALITY *      | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MARTINSVILLE    | 19,315.22                  | 14,804.81              | 4,510.42               | 20,300.30                  | 15,559.85              | 4,740.45               | 39,615.52                   | 30,364.66               | 9,250.87                |
| NORTON          | 4,854.63                   | 3,874.38               | 980.25                 | 5,102.21                   | 4,071.97               | 1,030.25               | 9,956.84                    | 7,946.34                | 2,010.50                |
| WINCHESTER      | 21,381.02                  | 15,730.29              | 5,650.73               | 22,471.45                  | 16,532.54              | 5,938.91               | 43,852.48                   | 32,262.83               | 11,589.64               |
| Locality Totals | \$ 12,735,578.72           | \$ 9,445,188.97        | \$ 3,290,389.75        | \$ 13,385,093.22           | \$ 9,926,893.60        | \$ 3,458,199.62        | \$ 26,120,671.94            | \$ 19,372,082.57        | \$ 6,748,589.38         |

SPECIAL NOTES

\* Fairfax City and Poquoson are not currently allocated SLH funds through the funding formula. Rather, they participate through neighboring county programs.



## APPENDIX D (OPTION 3): Apportionment of State and Local Shares for Funding the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment

| LOCALITY *                                | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-------------------------------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LOCALITIES CURRENTLY PARTICIPATING IN SLH |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| Counties                                  |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ACCOMACK                                  | 175,822.25                 | 153,702.99             | 22,119.26              | 184,789.18                 | 161,541.84             | 23,247.34              | 360,611.43                  | 315,244.83              | 45,366.60               |
| ALLEGHANY                                 | 13,275.71                  | 10,841.34              | 2,434.37               | 13,952.77                  | 11,394.25              | 2,558.52               | 27,228.47                   | 22,235.59               | 4,992.89                |
| AMHERST                                   | 29,530.65                  | 24,614.23              | 4,916.42               | 31,036.72                  | 25,869.56              | 5,167.16               | 60,567.37                   | 50,483.78               | 10,083.59               |
| APPOMATTOX                                | 13,255.85                  | 11,070.84              | 2,185.02               | 13,931.90                  | 11,635.45              | 2,296.45               | 27,187.76                   | 22,706.29               | 4,481.47                |
| ARLINGTON                                 | 747,438.72                 | 560,579.04             | 186,859.68             | 785,558.09                 | 589,168.57             | 196,389.52             | 1,532,996.81                | 1,149,747.61            | 383,249.20              |
| AUGUSTA                                   | 48,465.42                  | 38,150.39              | 10,315.03              | 50,937.16                  | 40,096.06              | 10,841.10              | 99,402.59                   | 78,246.45               | 21,156.14               |
| BATH                                      | 6,045.76                   | 4,534.32               | 1,511.44               | 6,354.09                   | 4,765.57               | 1,588.52               | 12,399.85                   | 9,299.88                | 3,099.96                |
| BLAND                                     | 6,584.01                   | 5,766.30               | 817.71                 | 6,919.80                   | 6,060.39               | 859.41                 | 13,503.81                   | 11,826.69               | 1,677.12                |
| BOTETCOURT                                | 26,342.65                  | 20,587.84              | 5,754.81               | 27,686.12                  | 21,637.82              | 6,048.30               | 54,028.77                   | 42,225.65               | 11,803.11               |
| BUCHANAN                                  | 58,575.87                  | 49,051.66              | 9,524.21               | 61,563.24                  | 51,553.29              | 10,009.95              | 120,139.11                  | 100,604.95              | 19,534.16               |
| CAMPBELL                                  | 47,390.87                  | 38,589.66              | 8,801.22               | 49,807.81                  | 40,557.73              | 9,250.08               | 97,198.68                   | 79,147.38               | 18,051.29               |
| CAROLINE                                  | 21,510.81                  | 17,954.26              | 3,556.55               | 22,607.86                  | 18,869.93              | 3,737.94               | 44,118.68                   | 36,824.19               | 7,294.49                |
| CARROLL                                   | 28,373.74                  | 24,961.86              | 3,411.88               | 29,820.80                  | 26,234.92              | 3,585.88               | 58,194.54                   | 51,196.78               | 6,997.76                |
| CHARLES CITY                              | 7,998.36                   | 6,646.23               | 1,352.13               | 8,406.28                   | 6,985.19               | 1,421.09               | 16,404.64                   | 13,631.43               | 2,773.21                |
| CHARLOTTE                                 | 18,978.59                  | 16,597.77              | 2,380.81               | 19,946.50                  | 17,444.26              | 2,502.24               | 38,925.09                   | 34,042.04               | 4,883.05                |
| CHESTERFIELD                              | 202,338.27                 | 151,753.70             | 50,584.57              | 212,657.52                 | 159,493.14             | 53,164.38              | 414,995.78                  | 311,246.84              | 103,748.95              |
| CLARKE                                    | 9,460.10                   | 7,095.07               | 2,365.02               | 9,942.56                   | 7,456.92               | 2,485.64               | 19,402.66                   | 14,551.99               | 4,850.66                |
| CULPEPER                                  | 29,350.82                  | 22,740.87              | 6,609.94               | 30,847.71                  | 23,900.66              | 6,947.05               | 60,198.52                   | 46,641.53               | 13,556.99               |
| CUMBERLAND                                | 4,897.90                   | 4,275.91               | 622.00                 | 5,147.69                   | 4,493.98               | 653.72                 | 10,045.60                   | 8,769.88                | 1,275.71                |
| DICKENSON                                 | 17,227.73                  | 14,545.24              | 2,682.49               | 18,106.35                  | 15,287.05              | 2,819.30               | 35,334.08                   | 29,832.29               | 5,501.79                |
| DINWIDDIE                                 | 22,465.45                  | 18,995.89              | 3,469.56               | 23,611.19                  | 19,964.68              | 3,646.51               | 46,076.64                   | 38,960.57               | 7,116.06                |
| FAIRFAX CO                                | 1,539,557.46               | 1,154,668.09           | 384,889.36             | 1,618,074.89               | 1,213,556.17           | 404,518.72             | 3,157,632.35                | 2,368,224.26            | 789,408.09              |
| FAUQUIER                                  | 49,179.45                  | 36,884.59              | 12,294.86              | 51,687.60                  | 38,765.70              | 12,921.90              | 100,867.06                  | 75,650.29               | 25,216.76               |
| FLOYD                                     | 12,798.20                  | 10,694.59              | 2,103.60               | 13,450.91                  | 11,240.02              | 2,210.89               | 26,249.11                   | 21,934.61               | 4,314.49                |
| FRANKLIN                                  | 35,936.45                  | 29,595.49              | 6,340.96               | 37,769.21                  | 31,104.86              | 6,664.35               | 73,705.67                   | 60,700.35               | 13,005.31               |
| FREDERICK                                 | 42,430.30                  | 32,351.10              | 10,079.20              | 44,594.25                  | 34,001.01              | 10,593.24              | 87,024.55                   | 66,352.11               | 20,672.44               |
| GILES                                     | 19,706.81                  | 16,347.76              | 3,359.05               | 20,711.86                  | 17,181.50              | 3,530.36               | 40,418.67                   | 33,529.27               | 6,889.40                |
| GLOUCESTER                                | 29,621.46                  | 22,216.10              | 7,405.37               | 31,132.16                  | 23,349.12              | 7,783.04               | 60,753.62                   | 45,565.22               | 15,188.41               |
| GOOCHLAND                                 | 15,899.78                  | 11,924.84              | 3,974.95               | 16,710.67                  | 12,533.00              | 4,177.67               | 32,610.45                   | 24,457.84               | 8,152.61                |
| GRAYSON                                   | 15,068.02                  | 13,406.93              | 1,661.09               | 15,836.49                  | 14,090.69              | 1,745.80               | 30,904.51                   | 27,497.62               | 3,406.89                |
| GREENSVILLE                               | 18,713.25                  | 16,254.13              | 2,459.12               | 19,667.62                  | 17,083.09              | 2,584.53               | 38,380.87                   | 33,337.22               | 5,043.65                |
| HALIFAX                                   | 32,675.89                  | 28,497.91              | 4,177.98               | 34,342.36                  | 29,951.30              | 4,391.06               | 67,018.25                   | 58,449.21               | 8,569.03                |
| HENRICO                                   | 252,287.97                 | 189,215.98             | 63,071.99              | 265,154.66                 | 198,865.99             | 66,288.66              | 517,442.63                  | 388,081.97              | 129,360.66              |
| HENRY                                     | 51,348.10                  | 42,876.78              | 8,471.32               | 53,966.85                  | 45,063.50              | 8,903.35               | 105,314.95                  | 87,940.28               | 17,374.67               |
| HIGHLAND                                  | 2,550.59                   | 1,996.30               | 554.29                 | 2,680.67                   | 2,098.11               | 582.56                 | 5,231.26                    | 4,094.40                | 1,136.85                |
| ISLE OF WIGHT                             | 27,330.24                  | 20,694.39              | 6,635.86               | 28,724.08                  | 21,749.80              | 6,974.28               | 56,054.32                   | 42,444.18               | 13,610.14               |
| JAMES CITY                                | 29,250.42                  | 21,937.81              | 7,312.60               | 30,742.19                  | 23,056.64              | 7,685.55               | 59,992.60                   | 44,994.45               | 14,998.15               |
| KING AND QUEEN                            | 4,615.64                   | 3,848.81               | 766.83                 | 4,851.04                   | 4,045.10               | 805.94                 | 9,466.68                    | 7,893.92                | 1,572.76                |
| KING GEORGE                               | 13,745.35                  | 10,665.11              | 3,080.24               | 14,446.36                  | 11,209.03              | 3,237.33               | 28,191.71                   | 21,874.14               | 6,317.57                |
| LANCASTER                                 | 14,930.32                  | 11,359.62              | 3,570.70               | 15,691.77                  | 11,938.96              | 3,752.81               | 30,622.10                   | 23,298.58               | 7,323.51                |
| LEE                                       | 58,705.80                  | 53,446.91              | 5,258.89               | 61,699.80                  | 56,172.70              | 5,527.09               | 120,405.59                  | 109,619.61              | 10,785.98               |
| LOUDOUN                                   | 157,621.76                 | 118,216.32             | 39,405.44              | 165,660.47                 | 124,245.35             | 41,415.12              | 323,282.23                  | 242,461.67              | 80,820.56               |
| LUNENBURG                                 | 11,677.37                  | 10,380.56              | 1,296.81               | 12,272.91                  | 10,909.97              | 1,362.95               | 21,290.59                   | 21,290.53               | 2,659.76                |
| MADISON                                   | 14,018.07                  | 11,309.33              | 2,708.74               | 14,732.99                  | 11,886.10              | 2,846.89               | 28,751.06                   | 23,195.43               | 5,555.63                |
| MECKLENBURG                               | 22,158.24                  | 19,075.29              | 3,082.94               | 23,288.30                  | 20,048.13              | 3,240.17               | 45,446.54                   | 39,123.43               | 6,323.11                |

**APPENDIX D (OPTION 3): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *       | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MONTGOMERY       | 71,469 04                  | 61,589 08              | 9,879 96               | 75,113 96                  | 64,730 12              | 10,383 84              | 146,582 99                  | 126,319 20              | 20,263.80               |
| NORTHAMPTON      | 56,942 19                  | 51,314 60              | 5,627.59               | 59,846 25                  | 53,931 65              | 5,914.60               | 116,788 44                  | 105,246.25              | 11,542 19               |
| NORTHUMBERLAND   | 12,686 49                  | 9,939 08               | 2,747 41               | 13,333 50                  | 10,445 97              | 2,887 53               | 26,020 00                   | 20,385 05               | 5,634 94                |
| ORANGE           | 19,313 34                  | 15,039 74              | 4,273 60               | 20,298 32                  | 15,806 76              | 4,491 55               | 39,611 65                   | 30,846 50               | 8,765 16                |
| PAGE             | 21,226 94                  | 18,075 13              | 3,151 81               | 22,309 51                  | 18,996 96              | 3,312 55               | 43,536.45                   | 37,072 08               | 6,464 36                |
| PATRICK          | 16,890 10                  | 14,381 60              | 2,508 49               | 17,751.49                  | 15,115 06              | 2,636 43               | 34,641 59                   | 29,496 66               | 5,144 92                |
| PITTSYLVANIA     | 71,230 59                  | 61,791 12              | 9,439.46               | 74,863 35                  | 64,942 47              | 9,920 88               | 146,093 93                  | 126,733 59              | 19,360 34               |
| PRINCE EDWARD    | 14,654 04                  | 12,993 73              | 1,660 31               | 15,401 39                  | 13,656 41              | 1,744 98               | 30,055 43                   | 26,650 14               | 3,405 29                |
| PRINCE GEORGE    | 27,375 01                  | 23,121 26              | 4,253.75               | 28,771 14                  | 24,300 45              | 4,470 69               | 56,146 15                   | 47,421 71               | 8,724 44                |
| PRINCE WILLIAM   | 220,125 88                 | 165,094.41             | 55,031.47              | 231,352 30                 | 173,514 22             | 57,838 07              | 451,478 17                  | 338,608 63              | 112,869 54              |
| PULASKI          | 32,996 62                  | 27,427 65              | 5,568 97               | 34,679 44                  | 28,826 46              | 5,852.99               | 67,676 06                   | 56,254 10               | 11,421.96               |
| RAPPAHANNOCK     | 7,928 28                   | 5,946 21               | 1,982.07               | 8,332 62                   | 6,249 47               | 2,083 16               | 16,260 90                   | 12,195.68               | 4,065 23                |
| ROANOKE CO       | 72,758 79                  | 54,569 09              | 18,189 70              | 76,469.49                  | 57,352 12              | 19,117 37              | 149,228 28                  | 111,921 21              | 37,307 07               |
| ROCKBRIDGE       | 18,714 21                  | 15,431 93              | 3,282 28               | 19,668.63                  | 16,218 96              | 3,449 68               | 38,382 84                   | 31,650 89               | 6,731 96                |
| RUSSELL          | 31,640 89                  | 27,318 41              | 4,322 48               | 33,254 57                  | 28,711 65              | 4,542 93               | 64,895 46                   | 56,030 05               | 8,865.41                |
| SCOTT            | 32,924 07                  | 28,879 10              | 4,044.96               | 34,603.19                  | 30,351 94              | 4,251 26               | 67,527.26                   | 59,231 04               | 8,296 22                |
| SHENANDOAH       | 46,058 51                  | 36,877.12              | 9,181 39               | 48,407 49                  | 38,757 86              | 9,649 64               | 94,466 00                   | 75,634 98               | 18,831 02               |
| SMYTH            | 50,692 26                  | 44,521 13              | 6,171 13               | 53,277 57                  | 46,791 71              | 6,485 86               | 103,969 83                  | 91,312 84               | 12,656 99               |
| SOUTHAMPTON      | 19,947 61                  | 16,314 50              | 3,633 11               | 20,964.94                  | 17,146 54              | 3,818.40               | 40,912 54                   | 33,461.04               | 7,451 50                |
| SPOTSLVANIA      | 43,536 87                  | 32,652 65              | 10,884 22              | 45,757 25                  | 34,317 94              | 11,439 31              | 89,294 12                   | 66,970 59               | 22,323 53               |
| STAFFORD         | 49,343 15                  | 37,007 36              | 12,335 79              | 51,859 65                  | 38,894 73              | 12,964 91              | 101,202.79                  | 75,902.09               | 25,300 70               |
| SURRY            | 6,269 42                   | 4,702 07               | 1,567 36               | 6,589.16                   | 4,941 87               | 1,647 29               | 12,858 58                   | 9,643 94                | 3,214 65                |
| SUSSEX           | 16,371 86                  | 13,708 15              | 2,663.70               | 17,206 82                  | 14,407 27              | 2,799 55               | 33,578.68                   | 28,115 42               | 5,463 25                |
| TAZEWELL         | 97,977 01                  | 83,213 74              | 14,583.27              | 102,784 66                 | 87,457 64              | 15,327 02              | 200,581 67                  | 170,671 38              | 29,910 29               |
| WARREN           | 35,416 59                  | 27,883 89              | 7,532 71               | 37,222 84                  | 29,305 96              | 7,916 87               | 72,639 43                   | 57,189 85               | 15,449 58               |
| WASHINGTON       | 48,515 53                  | 41,511 28              | 7,004 26               | 50,989 83                  | 43,628 35              | 7,361.47               | 99,505 36                   | 85,139 63               | 14,365 73               |
| WESTMORELAND     | 17,001 48                  | 14,079 05              | 2,922 43               | 17,868 55                  | 14,797 08              | 3,071 47               | 34,870.03                   | 28,876 12               | 5,993 90                |
| WISE             | 48,477 88                  | 40,776 71              | 7,701 17               | 50,950 25                  | 42,856 32              | 8,093 93               | 99,428 13                   | 83,633 04               | 15,795 09               |
| WYTHE            | 24,591 82                  | 21,199 72              | 3,392 10               | 25,846 00                  | 22,280 91              | 3,565 10               | 50,437 83                   | 43,480 63               | 6,957.20                |
| YORK             | 44,033 09                  | 33,024.82              | 11,008 27              | 46,278 78                  | 34,709 08              | 11,569 69              | 90,311 87                   | 67,733 90               | 22,577 97               |
| Cities           |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ALEXANDRIA       | 938,282 09                 | 703,711 57             | 234,570 52             | 986,134 48                 | 739,600 86             | 246,533 62             | 1,924,416.57                | 1,443,312 43            | 481,104.14              |
| BEDFORD          | 5,924 90                   | 5,060 81               | 864.09                 | 6,227.07                   | 5,318 91               | 908.16                 | 12,151 97                   | 10,379 72               | 1,772.25                |
| BUENA VISTA      | 5,796 58                   | 5,023 86               | 772.71                 | 6,092.20                   | 5,280.08               | 812 12                 | 11,888 78                   | 10,303.94               | 1,584 84                |
| CHARLOTTESVILLE  | 62,415.32                  | 51,445 05              | 10,970 28              | 65,598.50                  | 54,068.74              | 11,529 76              | 128,013.83                  | 105,513 79              | 22,500 04               |
| CHESAPEAKE       | 252,227 43                 | 192,472.66             | 59,754.77              | 265,091 03                 | 202,288 77             | 62,802.26              | 517,318 46                  | 394,761 44              | 122,557.02              |
| CLIFTON FORGE    | 5,021.62                   | 4,382 08               | 639 55                 | 5,277.73                   | 4,605 56               | 672 16                 | 10,299 35                   | 8,987 64                | 1,311 71                |
| COLONIAL HEIGHTS | 16,887.24                  | 12,768 70              | 4,118.54               | 17,748 49                  | 13,419 91              | 4,328.59               | 34,635 74                   | 26,188 61               | 8,447 13                |
| COVINGTON        | 7,459 49                   | 6,295 21               | 1,164 27               | 7,839 92                   | 6,616 27               | 1,223 65               | 15,299.41                   | 12,911 48               | 2,387 92                |
| DANVILLE         | 41,431 12                  | 35,385 83              | 6,045.29               | 43,544 11                  | 37,190 51              | 6,353.60               | 84,975 23                   | 72,576 34               | 12,398 89               |
| EMPORIA          | 9,790 62                   | 8,296.81               | 1,493.81               | 10,289 94                  | 8,719 95               | 1,569 99               | 20,080 56                   | 17,016 75               | 3,063 80                |
| FAIRFAX CITY     | 50,314 41                  | 37,735 81              | 12,578.60              | 52,880 45                  | 39,660 34              | 13,220 11              | 103,194 86                  | 77,396 14               | 25,798 71               |
| FALLS CHURCH     | 14,985 21                  | 11,238 91              | 3,746 30               | 15,749.45                  | 11,812.09              | 3,937 36               | 30,734 66                   | 23,051.00               | 7,683 67                |
| FRANKLIN         | 6,630 17                   | 5,437 17               | 1,193 00               | 6,968.30                   | 5,714.47               | 1,253 84               | 13,598.47                   | 11,151.64               | 2,446.83                |
| FREDERICKSBURG   | 26,569 29                  | 20,776 25              | 5,793 04               | 27,924 32                  | 21,835 84              | 6,088 48               | 54,493 61                   | 42,612 10               | 11,881 52               |
| HAMPTON          | 171,782.54                 | 138,444 80             | 33,337.74              | 180,543.44                 | 145,505 48             | 35,037 96              | 352,325 98                  | 283,950 28              | 68,375 70               |
| HOPEWELL         | 25,199 49                  | 21,044 18              | 4,155.31               | 26,484.66                  | 22,117.43              | 4,367 23               | 51,684.15                   | 43,161.61               | 8,522.54                |
| LEXINGTON        | 5,845 09                   | 4,998 22               | 846 87                 | 6,143 19                   | 5,253 13               | 890 06                 | 11,988 28                   | 10,251 35               | 1,736 93                |

**APPENDIX D (OPTION 3): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *     | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LYNCHBURG      | 93,325.39                  | 76,520.88              | 16,804.50              | 98,084.98                  | 80,423.45              | 17,661.53              | 191,410.37                  | 156,944.33              | 34,466.04               |
| MANASSAS       | 26,193.58                  | 19,645.18              | 6,548.39               | 27,529.45                  | 20,647.09              | 6,882.36               | 53,723.03                   | 40,292.27               | 13,430.76               |
| NEWPORT NEWS   | 516,803.62                 | 418,083.86             | 98,719.76              | 543,160.60                 | 439,406.13             | 103,754.47             | 1,059,964.22                | 857,489.99              | 202,474.22              |
| NORFOLK        | 1,742,348.76               | 1,513,598.53           | 228,750.23             | 1,831,208.55               | 1,590,792.05           | 240,416.50             | 3,573,557.31                | 3,104,390.58            | 469,166.73              |
| PETERSBURG     | 100,544.11                 | 87,800.83              | 12,743.28              | 105,671.86                 | 92,278.67              | 13,393.19              | 206,215.97                  | 180,079.49              | 26,136.47               |
| POQUOSON       | 10,703.17                  | 8,027.38               | 2,675.79               | 11,249.03                  | 8,436.78               | 2,812.26               | 21,952.21                   | 16,464.16               | 5,488.05                |
| PORTSMOUTH     | 526,417.60                 | 450,165.08             | 76,252.52              | 553,264.90                 | 473,123.50             | 80,141.40              | 1,079,682.50                | 923,288.58              | 156,393.92              |
| RADFORD        | 14,780.09                  | 12,567.93              | 2,212.16               | 15,533.88                  | 13,208.90              | 2,324.98               | 30,313.97                   | 25,776.83               | 4,537.14                |
| RICHMOND CITY  | 922,436.06                 | 744,102.84             | 178,333.22             | 969,480.30                 | 782,052.08             | 187,428.21             | 1,891,916.35                | 1,526,154.92            | 365,761.43              |
| ROANOKE CITY   | 239,508.39                 | 198,211.03             | 41,297.36              | 251,723.32                 | 208,319.79             | 43,403.53              | 491,231.71                  | 406,530.82              | 84,700.89               |
| SALEM          | 23,613.90                  | 18,162.67              | 5,451.23               | 24,818.21                  | 19,088.97              | 5,729.25               | 48,432.11                   | 37,251.63               | 11,180.48               |
| SOUTH BOSTON   | 9,735.99                   | 8,371.59               | 1,364.40               | 10,232.53                  | 8,798.54               | 1,433.99               | 19,968.52                   | 17,170.13               | 2,798.39                |
| STAUNTON       | 21,250.71                  | 17,570.19              | 3,680.52               | 22,334.50                  | 18,466.27              | 3,868.23               | 43,585.21                   | 36,036.47               | 7,548.74                |
| SUFFOLK        | 320,799.88                 | 264,030.41             | 56,769.46              | 337,160.67                 | 277,495.97             | 59,664.70              | 657,960.55                  | 541,526.38              | 116,434.17              |
| VIRGINIA BEACH | 715,929.62                 | 536,947.22             | 178,982.41             | 752,442.03                 | 564,331.52             | 188,110.51             | 1,468,371.66                | 1,101,278.74            | 367,092.91              |
| WAYNESBORO     | 13,270.67                  | 10,183.77              | 3,086.91               | 13,947.48                  | 10,703.14              | 3,244.34               | 27,218.15                   | 20,886.90               | 6,331.25                |
| WILLIAMSBURG   | 11,786.61                  | 8,839.96               | 2,946.65               | 12,387.73                  | 9,290.80               | 3,096.93               | 24,174.35                   | 18,130.76               | 6,043.59                |

LOCALITIES CURRENTLY NOT PARTICIPATING IN SLH

Counties:

|              |           |           |           |           |           |           |            |           |           |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|
| ALBEMARLE    | 62,180.56 | 46,635.42 | 15,545.14 | 65,351.77 | 49,013.83 | 16,337.94 | 127,532.33 | 95,649.24 | 31,883.08 |
| AMELIA       | 8,676.36  | 7,166.18  | 1,510.17  | 9,118.85  | 7,531.66  | 1,587.19  | 17,795.21  | 14,697.84 | 3,097.37  |
| BEDFORD      | 39,560.06 | 30,382.41 | 9,177.64  | 41,577.62 | 31,931.92 | 9,645.70  | 81,137.67  | 62,314.33 | 18,823.35 |
| BRUNSWICK    | 16,526.40 | 14,600.04 | 1,926.36  | 17,369.24 | 15,344.64 | 2,024.60  | 33,895.64  | 29,944.68 | 3,950.96  |
| BUCKINGHAM   | 12,601.38 | 10,941.04 | 1,660.33  | 13,244.05 | 11,499.04 | 1,745.01  | 25,845.42  | 22,440.08 | 3,405.34  |
| CRAIG        | 4,338.18  | 3,529.34  | 808.84    | 4,559.43  | 3,709.33  | 850.09    | 8,897.60   | 7,238.67  | 1,658.93  |
| ESSEX        | 9,192.81  | 7,402.96  | 1,789.85  | 9,661.64  | 7,780.51  | 1,881.13  | 18,854.45  | 15,183.47 | 3,670.98  |
| FLUVANNA     | 10,845.45 | 8,493.24  | 2,352.20  | 11,398.56 | 8,926.40  | 2,472.17  | 22,244.01  | 17,419.64 | 4,824.37  |
| GREENE       | 8,779.65  | 6,998.33  | 1,781.32  | 9,227.41  | 7,355.24  | 1,872.17  | 18,007.06  | 14,353.57 | 3,653.49  |
| HANOVER      | 54,537.10 | 40,902.83 | 13,634.28 | 57,318.49 | 42,988.87 | 14,329.62 | 111,855.60 | 83,891.70 | 27,963.90 |
| KING WILLIAM | 10,432.29 | 8,048.80  | 2,383.48  | 10,964.33 | 8,459.29  | 2,505.04  | 21,396.62  | 16,508.10 | 4,888.52  |
| LOUISA       | 19,625.09 | 14,718.82 | 4,906.27  | 20,625.97 | 15,469.48 | 5,156.49  | 40,251.07  | 30,188.30 | 10,062.77 |
| MATHEWS      | 8,986.23  | 6,766.80  | 2,219.43  | 9,444.52  | 7,111.91  | 2,332.62  | 18,430.75  | 13,878.71 | 4,552.04  |
| MIDDLESEX    | 8,779.65  | 6,774.57  | 2,005.08  | 9,227.41  | 7,120.07  | 2,107.34  | 18,007.06  | 13,894.64 | 4,112.42  |
| NELSON       | 12,807.96 | 10,084.20 | 2,723.76  | 13,461.16 | 10,598.49 | 2,862.67  | 26,269.12  | 20,682.68 | 5,586.43  |
| NEW KENT     | 10,432.29 | 7,824.22  | 2,608.07  | 10,964.33 | 8,223.25  | 2,741.08  | 21,396.62  | 16,047.46 | 5,349.15  |
| NOTTOWAY     | 14,977.04 | 13,014.15 | 1,962.89  | 15,740.87 | 13,677.87 | 2,063.00  | 30,717.92  | 26,692.02 | 4,025.89  |
| POWhatan     | 13,840.86 | 10,685.99 | 3,154.87  | 14,546.74 | 11,230.97 | 3,315.77  | 28,387.60  | 21,916.96 | 6,470.64  |
| RICHMOND CO  | 7,230.30  | 5,760.59  | 1,469.71  | 7,599.04  | 6,054.38  | 1,544.67  | 14,829.34  | 11,814.96 | 3,014.38  |
| ROCKINGHAM   | 55,363.42 | 44,763.15 | 10,600.27 | 58,186.96 | 47,046.07 | 11,140.89 | 113,550.38 | 91,809.22 | 21,741.16 |

Cities:

|               |           |           |          |           |           |          |           |           |           |
|---------------|-----------|-----------|----------|-----------|-----------|----------|-----------|-----------|-----------|
| BRISTOL       | 18,592.19 | 15,058.46 | 3,533.73 | 19,540.40 | 15,826.44 | 3,713.95 | 38,132.59 | 30,884.90 | 7,247.69  |
| GALAX         | 7,127.01  | 5,956.10  | 1,170.91 | 7,490.49  | 6,259.86  | 1,230.63 | 14,617.49 | 12,215.95 | 2,401.54  |
| HARRISONBURG  | 27,371.84 | 22,406.15 | 4,965.69 | 28,767.80 | 23,548.86 | 5,218.94 | 56,139.64 | 45,955.01 | 10,184.63 |
| MANASSAS PARK | 7,127.01  | 5,849.72  | 1,277.29 | 7,490.49  | 6,148.06  | 1,342.43 | 14,617.49 | 11,997.78 | 2,619.72  |

**APPENDIX D (OPTION 3): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *      | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MARTINSVILLE    | 19,315 22                  | 15,929 86              | 3,385 36               | 20,300 30                  | 16,742 28              | 3,558 02               | 39,615 52                   | 32,672 15               | 6,943 38                |
| NORTON          | 4,854 63                   | 4,071 15               | 783 48                 | 5,102 21                   | 4,278 77               | 823 44                 | 9,956 84                    | 8,349 92                | 1,606 92                |
| WINCHESTER      | 21,381 02                  | 16,734 98              | 4,646 05               | 22,471 45                  | 17,588 46              | 4,883 00               | 43,852 48                   | 34,323 43               | 9,529 04                |
| Locality Totals | \$ 12,735,578 72           | \$ 10,180,151 21       | \$ 2,555,427 51        | \$ 13,385,093 22           | \$ 10,699,338 91       | \$ 2,685,754 31        | \$ 26,120,671 94            | \$ 20,879,490 13        | \$ 5,241,181 82         |

SPECIAL NOTES:

\* Fairfax City and Poquoson are not currently allocated SLH funds through the funding formula. Rather, they participate through neighboring county programs.

## APPENDIX E (OPTION 4): Apportionment of State and Local Shares for Funding the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment

| LOCALITY *                                | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-------------------------------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LOCALITIES CURRENTLY PARTICIPATING IN SLH |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| Counties:                                 |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ACCOMACK                                  | 175,822.25                 | 153,702.99             | 22,119.26              | 184,789.18                 | 161,541.84             | 23,247.34              | 360,611.43                  | 315,244.83              | 45,366.60               |
| ALLEGHANY                                 | 13,275.71                  | 10,841.34              | 2,434.37               | 13,952.77                  | 11,394.25              | 2,558.52               | 27,228.47                   | 22,235.59               | 4,992.89                |
| AMHERST                                   | 29,530.65                  | 24,614.23              | 4,916.42               | 31,036.72                  | 25,869.56              | 5,167.16               | 60,567.37                   | 50,483.78               | 10,083.59               |
| APPOMATTOX                                | 13,255.85                  | 11,070.84              | 2,185.02               | 13,931.90                  | 11,635.45              | 2,296.45               | 27,187.76                   | 22,706.29               | 4,481.47                |
| ARLINGTON                                 | 747,438.72                 | 373,719.36             | 373,719.36             | 785,558.09                 | 392,779.05             | 392,779.05             | 1,532,996.81                | 766,498.40              | 766,498.40              |
| AUGUSTA                                   | 48,465.42                  | 38,150.39              | 10,315.03              | 50,937.16                  | 40,096.06              | 10,841.10              | 99,402.59                   | 78,246.45               | 21,156.14               |
| BATH                                      | 6,045.76                   | 3,635.19               | 2,410.57               | 6,354.09                   | 3,820.58               | 2,533.51               | 12,399.85                   | 7,455.77                | 4,944.08                |
| BLAND                                     | 6,584.01                   | 5,766.30               | 817.71                 | 6,919.80                   | 6,060.39               | 859.41                 | 13,503.81                   | 11,826.69               | 1,677.12                |
| BOTETOURT                                 | 26,342.65                  | 20,587.84              | 5,754.81               | 27,686.12                  | 21,637.82              | 6,048.30               | 54,028.77                   | 42,225.65               | 11,803.11               |
| BUCHANAN                                  | 58,575.87                  | 49,051.66              | 9,524.21               | 61,563.24                  | 51,553.29              | 10,009.95              | 120,139.11                  | 100,604.95              | 19,534.16               |
| CAMPBELL                                  | 47,390.87                  | 38,589.66              | 8,801.22               | 49,807.81                  | 40,557.73              | 9,250.08               | 97,198.68                   | 79,147.38               | 18,051.29               |
| CAROLINE                                  | 21,510.81                  | 17,954.26              | 3,556.55               | 22,607.86                  | 18,869.93              | 3,737.94               | 44,118.68                   | 36,824.19               | 7,294.49                |
| CARROLL                                   | 28,373.74                  | 24,961.86              | 3,411.88               | 29,820.80                  | 26,234.92              | 3,585.88               | 58,194.54                   | 51,196.78               | 6,997.76                |
| CHARLES CITY                              | 7,998.36                   | 6,646.23               | 1,352.13               | 8,406.28                   | 6,985.19               | 1,421.09               | 16,404.64                   | 13,631.43               | 2,773.21                |
| CHARLOTTE                                 | 18,978.59                  | 16,597.77              | 2,380.81               | 19,946.50                  | 17,444.26              | 2,502.24               | 38,925.09                   | 34,042.04               | 4,883.05                |
| CHESTERFIELD                              | 202,338.27                 | 121,677.21             | 80,661.05              | 212,657.52                 | 127,882.75             | 84,774.77              | 414,995.78                  | 249,559.96              | 165,435.82              |
| CLARKE                                    | 9,460.10                   | 6,994.99               | 2,465.11               | 9,942.56                   | 7,351.73               | 2,590.83               | 19,402.66                   | 14,346.71               | 5,055.94                |
| CULPEPER                                  | 29,350.82                  | 22,740.87              | 6,609.94               | 30,847.71                  | 23,900.66              | 6,947.05               | 60,198.52                   | 46,641.53               | 13,556.99               |
| CUMBERLAND                                | 4,897.90                   | 4,275.91               | 622.00                 | 5,147.69                   | 4,493.98               | 653.72                 | 10,045.60                   | 8,769.88                | 1,275.71                |
| DICKENSON                                 | 17,227.73                  | 14,545.24              | 2,682.49               | 18,106.35                  | 15,287.05              | 2,819.30               | 35,334.08                   | 29,832.29               | 5,501.79                |
| DINWIDDIE                                 | 22,465.45                  | 18,995.89              | 3,469.56               | 23,611.19                  | 19,964.68              | 3,646.51               | 46,076.64                   | 38,960.57               | 7,116.06                |
| FAIRFAX CO                                | 1,539,557.46               | 769,778.73             | 769,778.73             | 1,618,074.89               | 809,037.44             | 809,037.44             | 3,157,632.35                | 1,578,816.17            | 1,578,816.17            |
| FAUQUIER                                  | 49,179.45                  | 29,255.72              | 19,923.73              | 51,687.60                  | 30,747.76              | 20,939.84              | 100,867.06                  | 60,003.48               | 40,863.57               |
| FLOYD                                     | 12,798.20                  | 10,694.59              | 2,103.60               | 13,450.91                  | 11,240.02              | 2,210.89               | 26,249.11                   | 21,934.61               | 4,314.49                |
| FRANKLIN                                  | 35,936.45                  | 29,595.49              | 6,340.96               | 37,769.21                  | 31,104.86              | 6,664.35               | 73,705.67                   | 60,700.35               | 13,005.31               |
| FREDERICK                                 | 42,430.30                  | 32,351.10              | 10,079.20              | 44,594.25                  | 34,001.01              | 10,593.24              | 87,024.55                   | 66,352.11               | 20,672.44               |
| GILES                                     | 19,706.81                  | 16,347.76              | 3,359.05               | 20,711.86                  | 17,181.50              | 3,530.36               | 40,418.67                   | 33,529.27               | 6,889.40                |
| GLOUCESTER                                | 29,621.46                  | 21,953.47              | 7,668.00               | 31,132.16                  | 23,073.09              | 8,059.06               | 60,753.62                   | 45,026.56               | 15,727.06               |
| GOOCHLAND                                 | 15,899.78                  | 11,500.73              | 4,399.05               | 16,710.67                  | 12,087.27              | 4,623.40               | 32,610.45                   | 23,588.01               | 9,022.44                |
| GRAYSON                                   | 15,068.02                  | 13,406.93              | 1,661.09               | 15,836.49                  | 14,090.69              | 1,745.80               | 30,904.51                   | 27,497.62               | 3,406.89                |
| GREENSVILLE                               | 18,713.25                  | 16,254.13              | 2,459.12               | 19,667.62                  | 17,083.09              | 2,584.53               | 38,380.87                   | 33,337.22               | 5,043.65                |
| HALIFAX                                   | 32,675.89                  | 28,497.91              | 4,177.98               | 34,342.36                  | 29,951.30              | 4,391.06               | 67,018.25                   | 58,449.21               | 8,569.03                |
| HENRICO                                   | 252,287.97                 | 172,407.26             | 79,880.71              | 265,154.66                 | 181,200.03             | 83,954.63              | 517,442.63                  | 353,607.29              | 163,835.34              |
| HENRY                                     | 51,348.10                  | 42,876.78              | 8,471.32               | 53,966.85                  | 45,063.50              | 8,903.35               | 105,314.95                  | 87,940.28               | 17,374.67               |
| HIGHLAND                                  | 2,550.59                   | 1,996.30               | 554.29                 | 2,680.67                   | 2,098.11               | 582.56                 | 5,231.26                    | 4,094.40                | 1,136.85                |
| ISLE OF WIGHT                             | 27,330.24                  | 20,694.39              | 6,635.86               | 28,724.08                  | 21,749.80              | 6,974.28               | 56,054.32                   | 42,444.18               | 13,610.14               |
| JAMES CITY                                | 29,250.42                  | 20,102.15              | 9,148.27               | 30,742.19                  | 21,127.36              | 9,614.83               | 59,992.60                   | 41,229.51               | 18,763.09               |
| KING AND QUEEN                            | 4,615.64                   | 3,848.81               | 766.83                 | 4,851.04                   | 4,045.10               | 805.94                 | 9,466.68                    | 7,893.92                | 1,572.76                |
| KING GEORGE                               | 13,745.35                  | 10,665.11              | 3,080.24               | 14,446.36                  | 11,209.03              | 3,237.33               | 28,191.71                   | 21,874.14               | 6,317.57                |
| LANCASTER                                 | 14,930.32                  | 11,359.62              | 3,570.70               | 15,691.77                  | 11,938.96              | 3,752.81               | 30,622.10                   | 23,298.58               | 7,323.51                |
| LEE                                       | 58,705.80                  | 53,446.91              | 5,258.89               | 61,699.80                  | 56,172.70              | 5,527.09               | 120,405.59                  | 109,619.61              | 10,785.98               |
| LOUDOUN                                   | 157,621.76                 | 78,810.88              | 78,810.88              | 165,660.47                 | 82,830.23              | 82,830.23              | 323,282.23                  | 161,641.11              | 161,641.11              |
| LUNENBURG                                 | 11,677.37                  | 10,380.56              | 1,296.81               | 12,272.91                  | 10,909.97              | 1,362.95               | 23,950.28                   | 21,290.53               | 2,659.76                |
| MADISON                                   | 14,018.07                  | 11,309.33              | 2,708.74               | 14,732.99                  | 11,886.10              | 2,846.89               | 28,751.06                   | 23,195.43               | 5,555.63                |
| MECKLENBURG                               | 22,158.24                  | 19,075.29              | 3,082.94               | 23,288.30                  | 20,048.13              | 3,240.17               | 45,446.54                   | 39,123.43               | 6,323.11                |

**APPENDIX E (OPTION 4): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *       | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|------------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MONTGOMERY       | 71,469 04                  | 61,589 08              | 9,879.96               | 75,113 96                  | 64,730 12              | 10,383 84              | 146,582 99                  | 126,319 20              | 20,263.80               |
| NORTHAMPTON      | 56,942 19                  | 51,314 60              | 5,627.59               | 59,846 25                  | 53,931 65              | 5,914 60               | 116,788 44                  | 105,246 25              | 11,542 19               |
| NORTHLUMBERLAND  | 12,686 49                  | 9,939 08               | 2,747.41               | 13,333 50                  | 10,445 97              | 2,887 53               | 26,020 00                   | 20,385 05               | 5,634 94                |
| ORANGE           | 19,313 34                  | 15,039 74              | 4,273 60               | 20,298 32                  | 15,806 76              | 4,491 55               | 39,611 65                   | 30,846.50               | 8,765 16                |
| PAGE             | 21,226 94                  | 18,075.13              | 3,151 81               | 22,309 51                  | 18,996 96              | 3,312 55               | 43,536 45                   | 37,072 08               | 6,464 36                |
| PATRICK          | 16,890 10                  | 14,381 60              | 2,508.49               | 17,751.49                  | 15,115 06              | 2,636 43               | 34,641 59                   | 29,496 66               | 5,144 92                |
| PITTSYLVANIA     | 71,230 59                  | 61,791.12              | 9,439.46               | 74,863 35                  | 64,942.47              | 9,920 88               | 146,093 93                  | 126,733 59              | 19,360.34               |
| PRINCE EDWARD    | 14,654 04                  | 12,993 73              | 1,660 31               | 15,401 39                  | 13,656 41              | 1,744 98               | 30,055 43                   | 26,650 14               | 3,405 29                |
| PRINCE GEORGE    | 27,375 01                  | 23,121 26              | 4,253.75               | 28,771 14                  | 24,300 45              | 4,470 69               | 56,146 15                   | 47,421 71               | 8,724 44                |
| PRINCE WILLIAM   | 220,125 88                 | 141,219.68             | 78,906.20              | 231,352 30                 | 148,421.89             | 82,930 41              | 451,478 17                  | 289,641 57              | 161,836 61              |
| PULASKI          | 32,996 62                  | 27,427 65              | 5,568.97               | 34,679 44                  | 28,826 46              | 5,852 99               | 67,676 06                   | 56,254 10               | 11,421 96               |
| RAPPAHANNOCK     | 7,928 28                   | 5,672.51               | 2,255 77               | 8,332 62                   | 5,961 81               | 2,370 82               | 16,260 90                   | 11,634 31               | 4,626 59                |
| ROANOKE CO       | 72,758 79                  | 52,614 20              | 20,144 59              | 76,469 49                  | 55,297 52              | 21,171 96              | 149,228 28                  | 107,911 72              | 41,316 55               |
| ROCKBRIDGE       | 18,714 21                  | 15,431 93              | 3,282 28               | 19,668 63                  | 16,218 96              | 3,449 68               | 38,382.84                   | 31,650 89               | 6,731.96                |
| RUSSELL          | 31,640 89                  | 27,318 41              | 4,322 48               | 33,254 57                  | 28,711.65              | 4,542 93               | 64,895 46                   | 56,030 05               | 8,865 41                |
| SCOTT            | 32,924 07                  | 28,879 10              | 4,044 96               | 34,603 19                  | 30,351 94              | 4,251 26               | 67,527 26                   | 59,231 04               | 8,296 22                |
| SHENANDOAH       | 46,058 51                  | 36,877.12              | 9,181 39               | 48,407 49                  | 38,757 86              | 9,649 64               | 94,466 00                   | 75,634 98               | 18,831.02               |
| SMYTH            | 50,692 26                  | 44,521.13              | 6,171.13               | 53,277 57                  | 46,791.71              | 6,485 86               | 103,969 83                  | 91,312 84               | 12,656 99               |
| SOUTHAMPTON      | 19,947 61                  | 16,314 50              | 3,633 11               | 20,964 94                  | 17,146 54              | 3,818 40               | 40,912 54                   | 33,461 04               | 7,451 50                |
| SPOTSLVANIA      | 43,536 87                  | 29,497 75              | 14,039.12              | 45,757 25                  | 31,002 14              | 14,755 11              | 89,294 12                   | 60,499 89               | 28,794 23               |
| STAFFORD         | 49,343 15                  | 36,288 38              | 13,054.77              | 51,859 65                  | 38,139 08              | 13,720 56              | 101,202 79                  | 74,427.46               | 26,775 33               |
| SURRY            | 6,269 42                   | 3,134 71               | 3,134 71               | 6,589 16                   | 3,294 58               | 3,294 58               | 12,858 58                   | 6,429 29                | 6,429 29                |
| SUSSEX           | 16,371 86                  | 13,708 15              | 2,663.70               | 17,206 82                  | 14,407 27              | 2,799 55               | 33,578 68                   | 28,115 42               | 5,463 25                |
| TAZEWELL         | 97,797 01                  | 83,213 74              | 14,583 27              | 102,784 66                 | 87,457.64              | 15,327 02              | 200,581.67                  | 170,671.38              | 29,910 29               |
| WARREN           | 35,416 59                  | 27,883 89              | 7,532.71               | 37,222 84                  | 29,305.96              | 7,916 87               | 72,639 43                   | 57,189.85               | 15,449 58               |
| WASHINGTON       | 48,515 53                  | 41,511.28              | 7,004.26               | 50,989.83                  | 43,628 35              | 7,361 47               | 99,505 36                   | 85,139 63               | 14,365 73               |
| WESTMORELAND     | 17,001 48                  | 14,079.05              | 2,922.43               | 17,868 55                  | 14,797 08              | 3,071 47               | 34,870 03                   | 28,876 12               | 5,993 90                |
| WISE             | 48,477 88                  | 40,776 71              | 7,701 17               | 50,950.25                  | 42,856 32              | 8,093.93               | 99,428 13                   | 83,633 04               | 15,795 09               |
| WYTHE            | 24,591 82                  | 21,199.72              | 3,392 10               | 25,846.00                  | 22,280 91              | 3,565 10               | 50,437 83                   | 43,480 63               | 6,957 20                |
| YORK             | 44,033 09                  | 32,660 08              | 11,373 01              | 46,278 78                  | 34,325 75              | 11,953 03              | 90,311 87                   | 66,985 83               | 23,326 04               |
| Cities           |                            |                        |                        |                            |                        |                        |                             |                         |                         |
| ALEXANDRIA       | 938,282.09                 | 469,960 63             | 468,321.46             | 986,134.48                 | 493,928 63             | 492,205.85             | 1,924,416 57                | 963,889 26              | 960,527.31              |
| BEDFORD          | 5,924 90                   | 5,060 81               | 864 09                 | 6,227.07                   | 5,318 91               | 908.16                 | 12,151.97                   | 10,379 72               | 1,772 25                |
| BUENA VISTA      | 5,796 58                   | 5,023 86               | 772 71                 | 6,092 20                   | 5,280 08               | 812.12                 | 11,888.78                   | 10,303 94               | 1,584 84                |
| CHARLOTTESVILLE  | 62,415 32                  | 51,445 05              | 10,970 28              | 65,598.50                  | 54,068 74              | 11,529 76              | 128,013 83                  | 105,513.79              | 22,500.04               |
| CHESAPEAKE       | 252,227 43                 | 192,472.66             | 59,754 77              | 265,091 03                 | 202,288.77             | 62,802 26              | 517,318.46                  | 394,761 44              | 122,557.02              |
| CLIFTON FORGE    | 5,021.62                   | 4,382 08               | 639.55                 | 5,277 73                   | 4,605 56               | 672 16                 | 10,299 35                   | 8,987 64                | 1,311 71                |
| COLONIAL HEIGHTS | 16,887.24                  | 12,768 70              | 4,118.54               | 17,748 49                  | 13,419 91              | 4,328.59               | 34,635 74                   | 26,188 61               | 8,447 13                |
| COVINGTON        | 7,459 49                   | 6,295 21               | 1,164 27               | 7,839 92                   | 6,616 27               | 1,223 65               | 15,299 41                   | 12,911.48               | 2,387 92                |
| DANVILLE         | 41,431 12                  | 35,385 83              | 6,045 29               | 43,544 11                  | 37,190 51              | 6,353 60               | 84,975 23                   | 72,576 34               | 12,398.89               |
| EMPORIA          | 9,790 62                   | 8,296 81               | 1,493.81               | 10,289 94                  | 8,719 95               | 1,569 99               | 20,080 56                   | 17,016 75               | 3,063 80                |
| FAIRFAX CITY     | 50,314.41                  | 25,157 21              | 25,157.21              | 52,880.45                  | 26,440 22              | 26,440 22              | 103,194 86                  | 51,597 43               | 51,597 43               |
| FALLS CHURCH     | 14,985 21                  | 7,492 60               | 7,492.60               | 15,749 45                  | 7,874.73               | 7,874 73               | 30,734 66                   | 15,367 33               | 15,367 33               |
| FRANKLIN         | 6,630 17                   | 5,437 17               | 1,193.00               | 6,968.30                   | 5,714 47               | 1,253 84               | 13,598.47                   | 11,151 64               | 2,446 83                |
| FREDERICKSBURG   | 26,569 29                  | 20,776 25              | 5,793.04               | 27,924 32                  | 21,835 84              | 6,088 48               | 54,493 61                   | 42,612 10               | 11,881 52               |
| HAMPTON          | 171,782 54                 | 138,444 80             | 33,337.74              | 180,543.44                 | 145,505.48             | 35,037.96              | 352,325 98                  | 283,950 28              | 68,375 70               |
| HOPEWELL         | 25,199 49                  | 21,044 18              | 4,155.31               | 26,484 66                  | 22,117.43              | 4,367.23               | 51,684.15                   | 43,161 61               | 8,522 54                |
| LEXINGTON        | 5,845 09                   | 4,998 22               | 846.87                 | 6,143 19                   | 5,253.13               | 890.06                 | 11,988 28                   | 10,251 35               | 1,736 93                |

**APPENDIX E (OPTION 4): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *     | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| LYNCHBURG      | 93,325.39                  | 76,520.88              | 16,804.50              | 98,084.98                  | 80,423.45              | 17,661.53              | 191,416.37                  | 156,944.33              | 34,466.04               |
| MANASSAS       | 26,193.58                  | 14,591.40              | 11,602.18              | 27,529.45                  | 15,335.56              | 12,193.89              | 53,723.03                   | 29,926.96               | 23,796.07               |
| NEWPORT NEWS   | 516,803.62                 | 418,083.86             | 98,719.76              | 543,160.60                 | 439,406.13             | 103,754.47             | 1,059,964.22                | 857,489.99              | 202,474.22              |
| NORFOLK        | 1,742,348.76               | 1,513,598.53           | 228,750.23             | 1,831,208.55               | 1,590,792.05           | 240,416.50             | 3,573,557.31                | 3,104,390.58            | 469,166.73              |
| PETERSBURG     | 100,544.11                 | 87,800.83              | 12,743.28              | 105,671.86                 | 92,278.67              | 13,393.19              | 206,215.97                  | 180,079.49              | 26,136.47               |
| POQUOSON       | 10,703.17                  | 7,513.76               | 3,189.41               | 11,249.03                  | 7,896.97               | 3,352.07               | 21,952.21                   | 15,410.73               | 6,541.48                |
| PORTSMOUTH     | 526,417.60                 | 450,165.08             | 76,252.52              | 553,264.90                 | 473,123.50             | 80,141.40              | 1,079,682.50                | 923,288.58              | 156,393.92              |
| RADFORD        | 14,780.09                  | 12,567.93              | 2,212.16               | 15,533.88                  | 13,208.90              | 2,324.98               | 30,313.97                   | 25,776.83               | 4,537.14                |
| RICHMOND CITY  | 922,436.06                 | 744,102.84             | 178,333.22             | 969,480.30                 | 782,052.08             | 187,428.21             | 1,891,916.35                | 1,526,154.92            | 365,761.43              |
| ROANOKE CITY   | 239,508.39                 | 198,211.03             | 41,297.36              | 251,723.32                 | 208,319.79             | 43,403.53              | 491,231.71                  | 406,530.82              | 84,700.89               |
| SALEM          | 23,613.90                  | 18,162.67              | 5,451.23               | 24,818.21                  | 19,088.97              | 5,729.25               | 48,432.11                   | 37,251.63               | 11,180.48               |
| SOUTH BOSTON   | 9,735.99                   | 8,371.59               | 1,364.40               | 10,232.53                  | 8,798.54               | 1,433.99               | 19,968.52                   | 17,170.13               | 2,798.39                |
| STAUNTON       | 21,250.71                  | 17,570.19              | 3,680.52               | 22,334.50                  | 18,466.27              | 3,868.23               | 43,585.21                   | 36,036.47               | 7,548.74                |
| SUFFOLK        | 320,799.88                 | 264,030.41             | 56,769.46              | 337,160.67                 | 277,495.97             | 59,664.70              | 657,960.55                  | 541,526.38              | 116,434.17              |
| VIRGINIA BEACH | 715,929.62                 | 536,779.47             | 179,150.15             | 752,442.03                 | 564,155.22             | 188,286.81             | 1,468,371.66                | 1,100,934.69            | 367,436.96              |
| WAYNESBORO     | 13,270.67                  | 10,183.77              | 3,086.91               | 13,947.48                  | 10,703.14              | 3,244.34               | 27,218.15                   | 20,886.90               | 6,331.25                |
| WILLIAMSBURG   | 11,786.61                  | 8,519.11               | 3,267.51               | 12,387.73                  | 8,953.58               | 3,434.15               | 24,174.35                   | 17,472.69               | 6,701.66                |

LOCALITIES CURRENTLY NOT PARTICIPATING IN SLH

Counties

|              |           |           |           |           |           |           |            |           |           |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|
| ALBEMARLE    | 62,180.56 | 43,155.75 | 19,024.81 | 65,351.77 | 45,356.69 | 19,995.08 | 127,532.33 | 88,512.44 | 39,019.89 |
| AMELIA       | 8,676.36  | 7,166.18  | 1,510.17  | 9,118.85  | 7,531.66  | 1,587.19  | 17,795.21  | 14,697.84 | 3,097.37  |
| BEDFORD      | 39,560.06 | 30,382.41 | 9,177.64  | 41,577.62 | 31,931.92 | 9,645.70  | 81,137.67  | 62,314.33 | 18,823.35 |
| BRUNSWICK    | 16,526.40 | 14,600.04 | 1,926.36  | 17,369.24 | 15,344.64 | 2,024.60  | 33,895.64  | 29,944.68 | 3,950.96  |
| BUCKINGHAM   | 12,601.38 | 10,941.04 | 1,660.33  | 13,244.05 | 11,499.04 | 1,745.01  | 25,845.42  | 22,440.08 | 3,405.34  |
| CRAIG        | 4,338.18  | 3,529.34  | 808.84    | 4,559.43  | 3,709.33  | 850.09    | 8,897.60   | 7,238.67  | 1,658.93  |
| ESSEX        | 9,192.81  | 7,402.96  | 1,789.85  | 9,661.64  | 7,780.51  | 1,881.13  | 18,854.45  | 15,183.47 | 3,670.98  |
| FLUVANNA     | 10,845.45 | 8,493.24  | 2,352.20  | 11,398.56 | 8,926.40  | 2,472.17  | 22,244.01  | 17,419.64 | 4,824.37  |
| GREENE       | 8,779.65  | 6,998.33  | 1,781.32  | 9,227.41  | 7,355.24  | 1,872.17  | 18,007.06  | 14,353.57 | 3,653.49  |
| HANOVER      | 54,537.10 | 36,530.38 | 18,006.72 | 57,318.49 | 38,393.43 | 18,925.06 | 111,855.60 | 74,923.81 | 36,931.78 |
| KING WILLIAM | 10,432.29 | 8,048.80  | 2,383.48  | 10,964.33 | 8,459.29  | 2,505.04  | 21,396.62  | 16,508.10 | 4,888.52  |
| LOUISA       | 19,625.09 | 12,466.35 | 7,158.74  | 20,625.97 | 13,102.14 | 7,523.84  | 40,251.07  | 25,568.49 | 14,682.58 |
| MATHEWS      | 8,986.23  | 6,766.80  | 2,219.43  | 9,444.52  | 7,111.91  | 2,332.62  | 18,430.75  | 13,878.71 | 4,552.04  |
| MIDDLESEX    | 8,779.65  | 6,774.57  | 2,005.08  | 9,227.41  | 7,120.07  | 2,107.34  | 18,007.06  | 13,894.64 | 4,112.42  |
| NELSON       | 12,807.96 | 10,084.20 | 2,723.76  | 13,461.16 | 10,598.49 | 2,862.67  | 26,269.12  | 20,682.68 | 5,586.43  |
| NEW KENT     | 10,432.29 | 7,680.29  | 2,752.00  | 10,964.33 | 8,071.98  | 2,892.35  | 21,396.62  | 15,752.27 | 5,644.35  |
| NOTTOWAY     | 14,977.04 | 13,014.15 | 1,962.89  | 15,740.87 | 13,677.87 | 2,063.00  | 30,717.92  | 26,692.02 | 4,025.89  |
| POMHATAN     | 13,840.86 | 10,685.99 | 3,154.87  | 14,546.74 | 11,230.97 | 3,315.77  | 28,387.60  | 21,916.96 | 6,470.64  |
| RICHMOND CO  | 7,230.30  | 5,760.59  | 1,469.71  | 7,599.04  | 6,054.38  | 1,544.67  | 14,829.34  | 11,814.96 | 3,014.38  |
| ROCKINGHAM   | 55,363.42 | 44,763.15 | 10,600.27 | 58,186.96 | 47,046.07 | 11,140.89 | 113,550.38 | 91,809.22 | 21,741.16 |

Cities

|               |           |           |          |           |           |          |           |           |           |
|---------------|-----------|-----------|----------|-----------|-----------|----------|-----------|-----------|-----------|
| BRISTOL       | 18,592.19 | 15,058.46 | 3,533.73 | 19,540.40 | 15,826.44 | 3,713.95 | 38,132.59 | 30,884.90 | 7,247.69  |
| GALAX         | 7,127.01  | 5,956.10  | 1,170.91 | 7,490.49  | 6,259.86  | 1,230.63 | 14,617.49 | 12,215.95 | 2,401.54  |
| HARRISONBURG  | 27,371.84 | 22,406.15 | 4,965.69 | 28,767.80 | 23,548.86 | 5,218.94 | 56,139.64 | 45,955.01 | 10,184.63 |
| MANASSAS PARK | 7,127.01  | 5,849.72  | 1,277.29 | 7,490.49  | 6,148.06  | 1,342.43 | 14,617.49 | 11,997.78 | 2,619.72  |

**APPENDIX E (OPTION 4): Apportionment of State and Local Shares for Funding  
the SLH Program Using the Local Revenue Capacity Ratio with an Income Adjustment (Continued)**

| LOCALITY *      | FY 1989 TOTAL<br>SLH COSTS | FY 1989<br>STATE SHARE | FY 1989<br>LOCAL SHARE | FY 1990 TOTAL<br>SLH COSTS | FY 1990<br>STATE SHARE | FY 1990<br>LOCAL SHARE | BIENNIUM TOTAL<br>SLH COSTS | BIENNIUM<br>STATE SHARE | BIENNIUM<br>LOCAL SHARE |
|-----------------|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
| MARTINSVILLE    | 19,315 22                  | 15,929 86              | 3,385 36               | 20,300 30                  | 16,742 28              | 3,558 02               | 39,615 52                   | 32,672 15               | 6,943 38                |
| NORTON          | 4,854 63                   | 4,071 15               | 783 48                 | 5,102 21                   | 4,278 77               | 823 44                 | 9,956 84                    | 8,349 92                | 1,606 92                |
| WINCHESTER      | 21,381 02                  | 16,734 98              | 4,646 05               | 22,471 45                  | 17,588 46              | 4,883 00               | 43,852 48                   | 34,323 43               | 9,529 04                |
| Locality Totals | \$ 12,735,578 72           | \$ 9,212,671 40        | \$ 3,522,907 33        | \$ 13,385,093 22           | \$ 9,682,517 63        | \$ 3,702,575 60        | \$ 26,120,671 94            | \$ 18,895,189 02        | \$ 7,225,482 92         |

SPECIAL NOTES:

\* Fairfax City and Poquoson are not currently allocated SLH funds through the funding formula. Rather, they participate through neighboring county programs.



## APPENDIX F

### TECHNICAL APPENDIX SUMMARY

JLARC policy and sound research practice require a technical explanation of research methodology. An extensive description of the methodology used in this report is contained in the full technical appendix. It is available upon request from JLARC, General Assembly Building, Suite 1100, Capitol Square, Richmond, Virginia 23219.

**APPENDIX G**  
**AGENCY RESPONSE**

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

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



BLAIR BUILDING  
1007 DISCOVERY DRIVE  
RICHMOND, VIRGINIA 23229-8699

LARRY D. JACKSON  
COMMISSIONER

(804) 281-9204

# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF SOCIAL SERVICES

December 7, 1987

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

Dear Mr. Leone:

Thank you for forwarding the draft report of Funding the State and Local Hospitalization Program. I have both general and specific comments on the draft.

First, on page 12, under "Eligibility," the second sentence conveys a wrong impression. The Code states that no resident can be denied service under the State-Local Hospitalization (SLH) Program solely because he/she is not eligible for public relief. The statement as written implies universal eligibility for people not on public assistance.

Your analysis of the current funding formula began by examining the goals of the program. However, there are no explicit goals for the SLH Program, beyond the provision "of hospital and outpatient treatment and care for indigent and medically indigent persons." (Code of Virginia 63.1-134) The presumption of equal access as a program goal may not be an appropriate one. Other State-local programs, notably General Relief, operate at local option, and thus do not provide equal access. This brings into question all the recommendations directed toward promoting equal access.

The operational definition of program demand based upon paid and rejected applications leads to an understated expectation of demand. Relevant factors such as the restriction in covered days of services for eligibles and the number of denials because the time standard for filing was missed would raise the estimate of unmet demand. Costs associated with these needs did not take into account the yearly rise in the hospital per diem rate, which has been substantial. The average per diem rate has gone from \$185.13 in 1981 to \$364.09 in 1986. A study of uncompensated care done by the Virginia Hospital Association estimated that Virginia hospitals sustained write offs in bad debt/charity care totalling \$302.5 million in Fiscal Year 1985, a year in which SLH spent \$8.5 million. Thus, funding for SLH will always lag behind perceived need.

**VSSA**  
MORE HEARING PEOPLE

*An Equal Opportunity Agency*

Mr. Philip A. Leone

Page 2

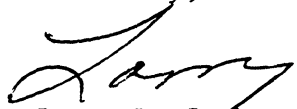
December 7, 1987

The evaluation of a locality's ability to pay was strictly a function of revenue capacity and income. Not mentioned were the encumbrances against revenue which localities face. Revenue may be pledged to other priorities; this report does not address the level of commitment to pay. If SLH participation is mandated, how will local involvement be assured? What penalty would a locality suffer for not budgeting their share of SLH?

Finally, one suggestion. As a companion to the four options listed in Appendix B, include the Fiscal Year 1989 and Fiscal Year 1990 projections for State and local expenditures based upon the current policy. In this way each locality would be able to compare the effect the options would have against current operating procedures.

Thank you for the opportunity to comment prior to finalization of the study. I look forward to receiving the final product.

Cordially,



Larry D. Jackson  
Commissioner

LDJ/DG/sas

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