

**REPORT OF THE
SECRETARY OF PUBLIC SAFETY**

**Review of the Methodology for
Distributing State Aid to
Localities with Police
Departments ("599" Funds)**

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



HOUSE DOCUMENT NO. 65

**COMMONWEALTH OF VIRGINIA
RICHMOND
2006**

October 16, 2006

The Honorable John H. Chichester, Chairman,
Senate Finance Committee

The Honorable Vincent F. Callahan, Jr. Chairman,
House Appropriations Committee

Dear Chairman Chichester and Chairman Callahan:

Item 393, Paragraph E of the 2006 Appropriation Act directed us to review the formula by which the Aid to Localities with Police Departments ("599") funds are distributed to eligible localities and determine whether or not the enabling legislation and funding formula warrant modification. Our report is enclosed for your consideration.

The document provides background information about the origins and operation of the "599" program and discusses the distribution methods we considered as possible replacements for the formula now set out in the *Code of Virginia*. As we conducted our review, we consulted with and sought input from the Virginia Municipal League, the Virginia Association of Counties and Virginia's First Cities.

We hope you will find this report helpful as you consider possible changes for the "599" program.

Sincerely,

John W. Marshall
Secretary of Public Safety

Jody M. Wagner
Secretary of Finance

REVIEW OF THE METHODOLOGY FOR DISTRIBUTING STATE AID TO LOCALITIES WITH POLICE DEPARTMENTS (“599” FUNDS)

Introduction

In accordance with §§9.1-165 through 172 of the *Code of Virginia*, the Department of Criminal Justice Services (DCJS) distributes state aid to localities with police departments. The fund is named after House Bill 599, the legislation that created the program in 1979. The funds are distributed to 175 cities, counties and towns. The amounts allocated to the individual localities are determined by a distribution formula prescribed in the *Code*.

Language in the 2006 Appropriations Act (Item 393, Paragraph E) directs the Secretaries of Finance and Public Safety to “...review the current methodology...to determine whether or not the enabling legislation and funding formula warrant modification.”

The General Assembly included that language in response to a request from the Governor when it became evident that, by the current distribution formula, FY 2007 funding for a substantial number of localities would be less than their FY 2006 amounts, even with a proposed \$11.5 million increase in the total appropriation. The spreadsheet in Appendix 1 compares the FY 2006 amounts for all the eligible localities with their FY 2007 amounts as originally calculated. Localities shown in bold are those whose FY 2007 allocations would be lower than FY 2006 according to the current funding formula.

The Governor also proposed increasing the appropriation by \$3.4 million, in order to keep those localities that would have seen a reduction in FY 2007 at their FY 2006 level. The General Assembly concurred in that recommendation as well. Appendix 1 also shows the amount of distribution that each locality actually will receive for FY 2007. With this additional funding, the total FY 2007 “599” appropriation is \$206,339,291.

To conduct their review of the current methodology and funding formula, the Secretaries of Public Safety and Finance convened a working group chaired by Deputy Secretary of Public Safety Clyde Cristman and consisting of Deputy Secretary of Finance Manju Ganeriwala and staff from the Department of Criminal Justice Services and the Department of Planning and Budget. Representatives of the Virginia Municipal League, the Virginia Association of Counties, Virginia’s First Cities Coalition and staff from the Senate Finance and House Appropriations Committees participated in working group meetings and provided feedback on proposed options.

Background

House Bill 599 was part of a three bill legislative package enacted in 1979 aimed at directing additional state dollars, primarily to cities, in order to quell disputes between the urban/suburban counties and the core cities over attempts by the cities to annex land

and population from neighboring counties. The additional state dollars were intended to help reduce the economic pressure on the cities that was motivating them to try to expand their tax bases through annexation. The legislative package also included a moratorium on annexation proceedings and immunity from annexation for a number of larger urban and suburban counties.

The "599" statute as originally passed set out two key eligibility requirements for receiving state law enforcement assistance: the locality must have a police department and the department's sworn officers must meet state minimum training requirements.

In 1981, language was added linking the percentage change in "599" funds each year to the forecasted percentage change in general fund revenue collections. More stringent requirements were also enacted defining what constitutes a police department for the purposes of determining a locality's eligibility for "599" funds. Those localities which were eligible at the time the program first became operational, in the 1980-82 biennium, were "grandfathered" and therefore do not have to meet the more stringent requirements as long as their police departments remain in operation.

The statute was amended again during the 1986 legislative session to allow the General Assembly to appropriate whatever amount it wants to for "599," anticipated changes in revenues notwithstanding.

The "599" Distribution Formula

The "599" statute sets out an elaborate formula for determining how much money should be allocated to each eligible jurisdiction. Ninety-five percent of each year's appropriation (termed "basic aid") is allocated among eligible jurisdictions by a multiple regression equation which uses population densities, crime rates and welfare caseload rates per 100,000 population for the eligible cities and counties to derive a "potential crime rate" for each city or county.

The population and land area information needed to determine population density and welfare caseload information are drawn from data for a "base year", defined in the *Code of Virginia* as the most recent year for which comparable data is available.

The crime rate information is an average of each jurisdiction's "base year" crime rate with those of the two preceding years.

The "potential crime rates" produced by the regression equation for the eligible cities and counties are multiplied by those jurisdictions' "base year" populations to produce what the *Code* calls an "adjusted crime index" (ACI). The ACIs are totaled and each city or county is allocated a percentage of the funds equal to the percentage of the total ACI attributable to that jurisdiction.

Allocations for towns are determined differently. A town located in an eligible county is allocated a percentage of that county's aid equal to the percentage of the county's population residing in the town.

Towns not located in eligible counties are assigned an "adjusted crime index" based on their populations and the average of the three lowest "potential crime rates" for cities. These towns are allocated funds based on their ACIs in the same manner as for cities and eligible counties.

The remaining five percent of the appropriation, referred to in the *Code of Virginia* as the discretionary fund, is used to provide additional funds to those cities with populations of 200,000 or greater whose per capita amounts of "599" funds are less than 65% of the average per capita aid to all other cities with populations exceeding 200,000. Discretionary funds remaining after this step are distributed among cities with "base year" populations under 200,000, and eligible counties and towns, based on their relative populations.

The amounts for each eligible jurisdiction as derived from the distribution formula and from the distribution of the discretionary fund are combined to produce the total "599" distribution for that jurisdiction in a fiscal year.

History

During the 1980's, when the "599" appropriation increased almost every year, the distribution formula was not subjected to much scrutiny. With the total appropriation increasing, the individual localities' amounts tended to increase during that time even if their variables (e.g. population) didn't. However, when the appropriation decreased between FY 1990 and 1992 due to shortfalls in state revenues, and when new population figures from the 1990 Census were incorporated into the formula, it became evident that some localities would take proportionately greater reductions than others.

In response, the legislature, beginning with the FY 1992 appropriation, discontinued the use of the distribution formula as the means of allocating the funds and simply "froze" the allocations at their current levels.

The General Assembly also instructed DCJS to conduct a study of the distribution formula and report back with recommendations in the fall of 1992. The resulting report pointed out the flaws in the formula as a predictor or estimator of crime rates and recommended that actual crime rates be used instead. The House acted favorably on legislation to implement the report's recommendations; but the bill died in Senate Finance. The "freeze" remained in effect and the appropriation was held at the FY 1992 level.

In 1994 DCJS was again instructed to study the distribution formula, in consultation with representatives of the Virginia Municipal League and the Virginia Association of Counties. That report recommended a somewhat different methodology

from what was proposed in the first report. It attempted to reconcile the disparate—often conflicting—interests of the low crime, high growth suburban counties and the high crime, declining population cities. No legislative action was forthcoming and the “freeze” and level funding continued.

The “freeze” ended in FY 2000, when the appropriation was more than doubled to, in effect, “catch up” with the percentage increases in state revenue during mid- and late 1990s. The link to projected changes in state revenues was re-established, and the funds were again allocated each year according to the statutory formula.

Current Situation

The distribution formula once again attracted attention when the calculations for distributing funds in FY 2007 were made. With a proposed increase in the appropriation of better than 6%, the formula would still have given 59 localities, including eleven cities and one county, less money in FY 2007 than they received in FY 2006.

This is due to the cumulative effect of years of changes in the values of the variables used in the “599” formula: population, population density, social welfare rate and crime rate. Cities and towns have been losing population while suburban counties have been gaining rapidly. Welfare rates have dropped dramatically in the cities, perhaps due to reforms in the 1990s designed to reduce welfare roles. And crime rates dropped statewide for several years. As a result of these trends, the portion of “599” funds going to cities—intended originally as the primary beneficiaries—has declined from approximately 68% in the early 1980’s to 58% in FY 2007.

Although it is possible to identify changes in the “599” formula factors that affect cities, counties and towns in the aggregate, it is difficult to explain, exactly how the change in these factors leads to a change in the amount of funding for any individual locality. There is no one-to-one relationship between changes in a locality’s crime rate or welfare rate and changes in its “599” amount. This is because the regression analysis calculates each locality’s allocation through an interaction with the values for every other locality in the formula. This makes it impossible to explain a change in one locality’s funding amount by simply pointing to a change in its crime rate, its population or its welfare rate. What happens to a locality’s funding depends not just on how the variables changed for that locality, but also on how they changed for every other locality in the formula.

Potential Options

The working group focused on potential options for the “599” program that retained, to some degree, the intent of the original legislation to primarily benefit cities and to be linked to crime rates. Appendix 2 provides a comparison of the possible alternative funding options considered, discussing the strengths of and concerns with each method considered. The table shows the amounts and percentages that would go to each of the three groups of localities (counties, cities, towns) for each method considered.

The following are the alternative funding methods examined by the working group:

Traditional Method—Continue using the formula and variables as now set out in the *Code*, including updating the variables every two years. The cities as a group would continue getting the largest share of the funds for the immediate future; but, if the present funding trends continue, they would ultimately receive less than half of the total “599” amount. In addition, there could be years in which allocations would decrease for significant numbers of localities even when the total appropriation increases, as would have been the case in FY 2007. Under this method, it is likely that there will be localities that will get less in FY 2008 than they did in FY 2007.

Hold Harmless—A variation on the current method; it was used in FY 2007. When the formula produces decreases in some localities’ amounts even when the total appropriation is increasing, extra funds would be appropriated and dedicated to keeping the losing localities level. The amount of additional funding needed to ensure that each locality receives no less than they did in a previous year would be calculated each biennium after the traditional formula is used to calculate the distribution.

Demographic Subgroup—Use the current method and variables but perform two multiple regressions, one for cities/counties with 80,000 and higher populations, and one for cities/counties with populations between 10,000 and 79,999. Towns would be assigned predicted crime rates as they are now; cities with populations under 10,000 would be treated as towns. Once the predicted crime rates are determined, basic aid would be allocated as it is now; discretionary aid would also be allocated as it is now.

Sixty-Forty—Each locality’s FY 2007 amount would serve as a base funding amount for the locality. Allocate 60% of the increase based on general fund revenue growth in the appropriation using the current formula, adding that amount to each locality’s FY 2007 base. Distribute the remaining 40% of the increase based on general fund revenue growth proportionally to the 20 cities and counties with the highest rates of violent crime, adding that amount to their FY 2007 base. This method would maintain and even strengthen the links to crime rates embodied in the original legislation. And, as long as the total appropriation increases from year to year, no locality would have its “599” funds reduced from one year to the next.

Percentage Increase— Each locality’s FY 2007 amount would serve as a base funding amount for the locality. For future distributions, the percentage increase in the total appropriation would be used to determine the increase in each locality’s amount. This across-the-board method would eliminate any link to future changes in crime rates and make permanent the current proportioning of the funds among the three groups of localities.

Three of the options discussed above assume increases in the total appropriation each year which, of course, may not always occur. In the event there are decreases in the

total appropriation, applying an across-the-board percentage decrease to all localities seems the best option regardless of the distribution method specified in the *Code*.

The group considered several other alternative allocation methods that would produce large shifts in funding between the recipient groups (cities, counties or towns) and determined that they should not be included in this report because they did not appear to be viable options. For example, using only violent crime rates as the basis for determining allocations would reduce the counties' share of funds from the present 35% to 18.75%. Using the existing formula, but without the welfare rate variable, would result in cities as a group getting 46.75% of the funds compared to 58% they currently receive. The group also considered an alternative that attempted to approximate the Compensation Board's method of allocating funding for law enforcement deputies in Sheriffs' departments. That proved impractical in light of the vastly different officer-to-population ratios between police and sheriffs' departments, and among police departments.

Conclusion

The 2006 Appropriations Act requires the Secretary of Public Safety and the Secretary of Finance to determine whether or not the "599" enabling legislation and funding formula warrant modification. The fact that the current formula for FY 2007 would have resulted in 59 localities receiving less funding than they did the previous year, notwithstanding an \$11.5 million increase in the amount of funds available due to general fund revenue growth, certainly suggests that adjustments to the formula should be considered by the General Assembly. The 2006 General Assembly provided a \$3.4 million short term solution to ensure that no locality saw a reduction in their FY 2007 distribution.

The General Assembly may wish to review the significance attached to the original effect of the funding formula that was designed to provide additional resources primarily to cities, with allocations based on crime-related need. Based on the feedback received from the Virginia Municipal League, the Virginia Association of Counties and Virginia First Cities Coalition, it seems clear that the original intent of the "599" funding distribution remains valid and important today. It is also clear that the current method's unpredictability and complexity continue to be problematic, as they were when the "599" program was studied in the early 1990's.

As was the case with the earlier studies, the disparate needs and concerns of the two major groups of beneficiaries—fast growing, lower crime suburban counties and older, higher crime core cities with stable or shrinking populations—make crafting a solution very difficult. We look forward to working with the General Assembly to review the options presented in this report or any other ideas that would provide for the equitable distribution of this important funding stream to eligible Virginia localities.

Appendix 1
FY 2006 "599" Distribution Compared to FY 2007 Distributions

Bolded numbers are localities that would have received less in FY 2007 & received Hold Harmless Adjustment

	FY 2006 Distribution	Calculated FY 2007 Distribution	Hold Harmless FY 2007 Distribution
Total Appropriation	\$ 191,323,238	\$ 202,879,162	\$ 206,339,291
County			
Albemarle County	\$ 2,228,717	\$ 2,377,227	\$ 2,377,227
Arlington County	\$ 7,696,281	\$ 7,251,914	\$ 7,696,281
Chesterfield County	\$ 7,575,165	\$ 8,827,571	\$ 8,827,571
Fairfax County	\$ 27,136,965	\$ 28,086,354	\$ 28,086,354
Henrico County	\$ 8,481,546	\$ 10,091,679	\$ 10,091,679
James City County	\$ 1,379,722	\$ 1,562,820	\$ 1,562,820
Prince George County	\$ 958,247	\$ 1,036,476	\$ 1,036,476
Prince William County	\$ 9,126,075	\$ 10,874,174	\$ 10,874,174
Roanoke County	\$ 1,815,228	\$ 2,123,088	\$ 2,123,088
County Aid	\$ 66,397,947	\$ 72,231,303	\$ 72,675,670
Percent of Total Aid	34.70%	35.60%	35.22%
Cities			
Alexandria City	\$ 6,624,743	\$ 6,367,815	\$ 6,624,743
Bedford City	\$ 281,736	\$ 288,421	\$ 288,421
Bristol City	\$ 723,149	\$ 1,144,461	\$ 1,144,461
Buena Vista City	\$ 217,100	\$ 209,165	\$ 217,100
Charlottesville City	\$ 2,126,798	\$ 2,381,979	\$ 2,381,979
Chesapeake City	\$ 7,182,501	\$ 7,455,767	\$ 7,455,767
Clifton Forge City	\$ 212,847	\$ 222,948	\$ 222,948
Colonial Heights City	\$ 534,439	\$ 664,877	\$ 664,877
Covington City	\$ 271,445	\$ 304,313	\$ 304,313
Danville City	\$ 2,632,335	\$ 2,988,209	\$ 2,988,209
Emporia City	\$ 257,397	\$ 236,917	\$ 257,397
Fairfax City	\$ 699,192	\$ 704,339	\$ 704,339
Falls Church City	\$ 403,402	\$ 351,411	\$ 403,402
Franklin City	\$ 441,572	\$ 478,748	\$ 478,748
Fredericksburg City	\$ 813,914	\$ 921,409	\$ 921,409
Galax City	\$ 284,203	\$ 371,028	\$ 371,028
Hampton City	\$ 6,982,937	\$ 7,720,485	\$ 7,720,485
Harrisonburg City	\$ 1,384,337	\$ 1,548,938	\$ 1,548,938
Hopewell City	\$ 1,280,166	\$ 1,499,485	\$ 1,499,485
Lexington City	\$ 209,844	\$ 226,383	\$ 226,383
Lynchburg City	\$ 2,829,515	\$ 3,468,585	\$ 3,468,585
Manassas City	\$ 1,330,029	\$ 1,398,608	\$ 1,398,608
Manassas Park City	\$ 418,918	\$ 496,864	\$ 496,864
Martinsville City	\$ 681,869	\$ 995,981	\$ 995,981
Newport News City	\$ 9,090,863	\$ 10,346,255	\$ 10,346,255
Norfolk City	\$ 13,627,616	\$ 13,225,320	\$ 13,627,616
Norton City	\$ 269,908	\$ 237,869	\$ 269,908
Petersburg City	\$ 2,133,002	\$ 2,393,294	\$ 2,393,294
Poquoson City	\$ 291,856	\$ 271,161	\$ 291,856

**Appendix 1
FY 2006 "599" Distribution Compared to FY 2007 Distributions**

Bolded numbers are localities that would have received less in FY 2007 & received Hold Harmless Adjustment

	FY 2006 Distribution	Calculated FY 2007 Distribution	Hold Harmless FY 2007 Distribution
Total Appropriation	\$ 191,323,238	\$ 202,879,162	\$ 206,339,291
Portsmouth City	\$ 7,047,302	\$ 6,848,474	\$ 7,047,302
Radford City	\$ 518,082	\$ 554,866	\$ 554,866
Richmond City	\$ 17,388,383	\$ 15,465,580	\$ 17,388,383
Roanoke City	\$ 4,674,242	\$ 6,319,149	\$ 6,319,149
Salem City	\$ 725,402	\$ 761,051	\$ 761,051
South Boston	\$ 286,551	\$ 368,944	\$ 368,944
Staunton City	\$ 814,675	\$ 1,016,164	\$ 1,016,164
Suffolk City	\$ 2,733,942	\$ 3,272,149	\$ 3,272,149
Virginia Beach City	\$ 12,998,072	\$ 12,942,806	\$ 12,998,072
Waynesboro City	\$ 747,938	\$ 860,811	\$ 860,811
Williamsburg City	\$ 366,765	\$ 441,821	\$ 441,821
Winchester City	\$ 857,818	\$ 961,959	\$ 961,959
City Aid	\$ 113,396,804	\$ 118,734,809	\$ 121,704,070
Percent of Total Aid	59.27%	58.52%	58.98%
Towns			
ABINGDON	\$ 215,465	\$ 223,699	\$ 223,699
ALTAVISTA	\$ 95,076	\$ 94,856	\$ 95,076
AMHERST	\$ 63,010	\$ 62,589	\$ 63,010
APPALACHIA	\$ 50,313	\$ 49,992	\$ 50,313
APPOMATTOX	\$ 49,248	\$ 49,007	\$ 49,248
ASHLAND	\$ 188,248	\$ 195,659	\$ 195,659
BERRYVILLE	\$ 84,313	\$ 87,642	\$ 87,642
BIG STONE GAP	\$ 164,114	\$ 164,378	\$ 164,378
BLACKSBURG	\$ 1,120,853	\$ 1,105,022	\$ 1,120,853
BLACKSTONE	\$ 102,672	\$ 101,225	\$ 102,672
BLUEFIELD	\$ 139,840	\$ 141,749	\$ 141,749
BOONES MILL	\$ 7,989	\$ 8,144	\$ 8,144
BOWLING GREEN	\$ 26,124	\$ 27,110	\$ 27,110
BOYDTON	\$ 13,202	\$ 13,188	\$ 13,202
BOYKINS	\$ 17,042	\$ 16,993	\$ 17,042
BRIDGEWATER	\$ 144,522	\$ 149,386	\$ 149,386
BROADWAY	\$ 63,487	\$ 68,451	\$ 68,451
BRODNAX	\$ 8,745	\$ 8,567	\$ 8,745
BROOKNEAL	\$ 35,065	\$ 35,057	\$ 35,065
BUCHANAN	\$ 34,421	\$ 35,001	\$ 35,001
BURKEVILLE	\$ 13,707	\$ 13,498	\$ 13,707
CAPE CHARLES	\$ 31,001	\$ 33,253	\$ 33,253
CEDAR BLUFF	\$ 29,936	\$ 30,323	\$ 30,323
CHASE CITY	\$ 67,831	\$ 67,436	\$ 67,831
CHATHAM	\$ 37,083	\$ 36,691	\$ 37,083
CHILHOWIE	\$ 50,735	\$ 50,274	\$ 50,735

Appendix 1
FY 2006 "599" Distribution Compared to FY 2007 Distributions

Bolded numbers are localities that would have received less in FY 2007 & received Hold Harmless Adjustment

	FY 2006 Distribution	Calculated FY 2007 Distribution	Hold Harmless FY 2007 Distribution
Total Appropriation	\$ 191,323,238	\$ 202,879,162	\$ 206,339,291
CHINCOTEAQUE	\$ 121,650	\$ 124,446	\$ 124,446
CHRISTIANSBURG	\$ 484,578	\$ 493,022	\$ 493,022
CLARKSVILLE	\$ 36,663	\$ 36,494	\$ 36,663
CLINTWOOD	\$ 42,885	\$ 42,581	\$ 42,885
COEBURN	\$ 55,218	\$ 55,939	\$ 55,939
COLONIAL BEACH	\$ 89,387	\$ 93,024	\$ 93,024
COURTLAND	\$ 35,122	\$ 35,028	\$ 35,122
CREWE	\$ 66,290	\$ 65,238	\$ 66,290
CULPEPER	\$ 277,746	\$ 311,960	\$ 311,960
DAMASCUS	\$ 31,954	\$ 30,829	\$ 31,954
DAYTON	\$ 37,503	\$ 37,903	\$ 37,903
DRAKES BRANCH	\$ 13,678	\$ 13,696	\$ 13,696
DUBLIN	\$ 63,404	\$ 62,758	\$ 63,404
DUMFRIES	\$ 159,548	\$ 159,736	\$ 159,736
EDINBURG	\$ 22,985	\$ 23,813	\$ 23,813
ELKTON	\$ 57,013	\$ 57,433	\$ 57,433
EXMORE	\$ 39,522	\$ 39,594	\$ 39,594
FARMVILLE	\$ 190,490	\$ 197,575	\$ 197,575
FRIES	\$ 16,678	\$ 16,344	\$ 16,678
FRONT ROYAL	\$ 384,260	\$ 400,447	\$ 400,447
GATE CITY	\$ 59,675	\$ 58,616	\$ 59,675
GLADE SPRINGS	\$ 45,436	\$ 43,708	\$ 45,436
GLASGOW	\$ 28,983	\$ 28,688	\$ 28,983
GLEN LYN	\$ 4,409	\$ 4,569	\$ 4,569
GORDONSVILLE	\$ 42,689	\$ 44,441	\$ 44,441
GRETNA	\$ 34,925	\$ 34,550	\$ 34,925
GROTTOES	\$ 59,059	\$ 61,040	\$ 61,040
GRUNDY	\$ 30,020	\$ 28,801	\$ 30,020
HALIFAX	\$ 37,616	\$ 36,888	\$ 37,616
HAYMARKET	\$ 29,560	\$ 33,575	\$ 33,575
HAYSI	\$ 5,101	\$ 5,101	\$ 5,101
HERNDON	\$ 645,262	\$ 649,400	\$ 649,400
HILLSVILLE	\$ 78,904	\$ 77,271	\$ 78,904
HONAKER	\$ 26,152	\$ 25,982	\$ 26,152
HURT	\$ 35,570	\$ 35,170	\$ 35,570
INDEPENDENCE	\$ 26,685	\$ 26,208	\$ 26,685
IRON GATE	\$ 11,127	\$ 10,906	\$ 11,127
JONESVILLE	\$ 27,385	\$ 27,899	\$ 27,899
KENBRIDGE	\$ 35,177	\$ 36,974	\$ 36,974
KILMARNOCK	\$ 34,477	\$ 34,324	\$ 34,477
LACROSSE	\$ 17,127	\$ 17,078	\$ 17,127
LAWRENCEVILLE	\$ 35,234	\$ 34,775	\$ 35,234
LEBANON	\$ 91,209	\$ 90,939	\$ 91,209
LEESBURG	\$ 846,666	\$ 981,477	\$ 981,477

Appendix 1
FY 2006 "599" Distribution Compared to FY 2007 Distributions

Bolded numbers are localities that would have received less in FY 2007 & received Hold Harmless Adjustment

	FY 2006 Distribution	Calculated FY 2007 Distribution	Hold Harmless FY 2007 Distribution
Total Appropriation	\$ 191,323,238	\$ 202,879,162	\$ 206,339,291
LOUISA	\$ 39,718	\$ 41,623	\$ 41,623
LURAY	\$ 136,000	\$ 137,465	\$ 137,465
MARION	\$ 175,550	\$ 173,819	\$ 175,550
MCKENNEY	\$ 13,398	\$ 13,555	\$ 13,555
MIDDLEBURG	\$ 18,920	\$ 23,728	\$ 23,728
MIDDLETOWN	\$ 28,954	\$ 30,378	\$ 30,378
MONTROSS	\$ 8,745	\$ 8,764	\$ 8,764
MOUNT JACKSON	\$ 47,174	\$ 48,809	\$ 48,809
NARROWS	\$ 60,320	\$ 60,448	\$ 60,448
NEW MARKET	\$ 48,997	\$ 50,669	\$ 50,669
OCCOQUAN	\$ 24,361	\$ 25,205	\$ 25,205
ONANCOCK	\$ 42,493	\$ 42,074	\$ 42,493
ONLEY	\$ 13,903	\$ 14,034	\$ 14,034
ORANGE	\$ 116,828	\$ 121,937	\$ 121,937
PARKSLEY	\$ 23,377	\$ 23,587	\$ 23,587
PEARISBURG	\$ 77,447	\$ 78,032	\$ 78,032
PEMBROKE	\$ 32,543	\$ 32,774	\$ 32,774
PENNINGTON GAP	\$ 49,052	\$ 49,908	\$ 49,908
POCAHONTAS	\$ 11,969	\$ 12,202	\$ 12,202
POUND	\$ 30,301	\$ 30,548	\$ 30,548
PULASKI	\$ 262,079	\$ 258,389	\$ 262,079
PURCELLVILLE	\$ 107,466	\$ 126,221	\$ 126,221
QUANTICO	\$ 18,551	\$ 20,165	\$ 20,165
REMINGTON	\$ 17,911	\$ 18,796	\$ 18,796
RICH CREEK	\$ 18,976	\$ 19,106	\$ 19,106
RICHLANDS	\$ 114,474	\$ 116,104	\$ 116,104
ROCKY MOUNT	\$ 114,053	\$ 128,363	\$ 128,363
RURAL RETREAT	\$ 37,560	\$ 37,790	\$ 37,790
SALTVILLE	\$ 66,178	\$ 63,998	\$ 66,178
SCOTTSVILLE	\$ 14,699	\$ 14,926	\$ 14,926
SHENANDOAH	\$ 52,304	\$ 52,895	\$ 52,895
SMITHFIELD	\$ 182,726	\$ 191,178	\$ 191,178
SOUTH HILL	\$ 129,610	\$ 129,124	\$ 129,610
ST. PAUL	\$ 27,554	\$ 27,251	\$ 27,554
STANLEY	\$ 37,167	\$ 37,621	\$ 37,621
STEPHENS CITY	\$ 32,683	\$ 34,436	\$ 34,436
STRASBURG	\$ 113,801	\$ 118,020	\$ 118,020
TANGIER	\$ 16,958	\$ 19,670	\$ 19,670
TAPPAHANNOCK	\$ 57,628	\$ 60,420	\$ 60,420
TAZEWELL	\$ 115,679	\$ 117,204	\$ 117,204
TIMBERVILLE	\$ 48,632	\$ 47,991	\$ 48,632
URBANNA	\$ 15,136	\$ 15,640	\$ 15,640
VICTORIA	\$ 50,958	\$ 50,049	\$ 50,958
VIENNA	\$ 435,289	\$ 445,102	\$ 445,102
VINTON	\$ 194,928	\$ 224,091	\$ 224,091

Appendix 1
FY 2006 "599" Distribution Compared to FY 2007 Distributions

Bolded numbers are localities that would have received less in FY 2007 & received Hold Harmless Adjustment

	FY 2006 Distribution	Calculated FY 2007 Distribution	Hold Harmless FY 2007 Distribution
Total Appropriation	\$ 191,323,238	\$ 202,879,162	\$ 206,339,291
WAKEFIELD	\$ 28,450	\$ 27,702	\$ 28,450
WARRENTON	\$ 197,161	\$ 233,759	\$ 233,759
WARSAW	\$ 38,400	\$ 38,523	\$ 38,523
WAVERLY	\$ 63,543	\$ 61,970	\$ 63,543
WEBER CITY	\$ 36,943	\$ 36,297	\$ 36,943
WEST POINT	\$ 81,342	\$ 84,147	\$ 84,147
WHITE STONE	\$ 9,894	\$ 9,864	\$ 9,894
WISE	\$ 90,508	\$ 91,108	\$ 91,108
WOODSTOCK	\$ 111,867	\$ 117,034	\$ 117,034
WYTHEVILLE	\$ 218,268	\$ 223,107	\$ 223,107
Town Aid	\$ 11,528,487	\$ 11,913,050	\$ 11,959,551
Percent of Total Aid	6.03%	5.87%	5.80%

Appendix 2 Alternatives for Calculating the 599 Distribution (Part 1 of 3)

	TRADITIONAL METHOD	"HOLD HARMLESS"
Description	<p>Compute a predicted crime rate (PCR) for each eligible county and city using actual average index crime rate, population density and social welfare rate in a multiple regression. Assign average predicted crime rate for three cities with lowest the PCR to towns. Using population for all localities, compute an adjusted crime index. Distribute 95% of total appropriation to localities as each locality's percentage of total adjusted crime index. Distribute remaining 5% of total appropriation as discretionary aid.</p>	<p>Calculate distribution according to current formula. If results show a loss for any locality compared to the locality's FY 2007 amount, hold the locality's FY 2008 distribution constant at FY 2007 level.</p>
Pros	<p>Current Methodology</p>	<p>No locality receives less funding than the previous year.</p>
Concerns	<p>Formula is extremely complicated. Individual locality distributions change significantly as data is updated from cycle to cycle. The original intent of the funding formula has been circumvented primarily by changes in population and population density.</p>	<p>Requires additional funding for total appropriation any time the formula results in a reduced distribution for any locality. For FY 2007, this required an additional \$3.4 million (above an \$11.5 million increase in the total appropriation).</p>

Appendix 2 Alternatives for Calculating the "599" Distribution (Part 2 of 3)

	DEMOGRAPHIC SUBGROUP	SIXTY-FORTY	STRAIGHT PERCENTAGE INCREASE
Description	<p>Predicted crime rate (PCR) for each locality is calculated using the same variables as the current formula. However, two regressions are performed: one for cities and counties with population 80,000+, a second for cities and counties with population 10,000 to 79,999. Town PCR assigned as current formula. Cities with populations under 10,000 are treated as towns. Once PCRs are computed basic and discretionary aid are allocated the same as the current formula.</p>	<p>Each locality starts with its 2007 distribution. Allocate 60% of the <i>increase</i> in the appropriation from FY 2007 to FY 2008 as basic aid according to the current formula and add that to the 2007 distribution. Allocate the remaining 40% of the <i>increase</i> in the appropriation proportionally to the 20 cities and counties with the highest violent crime and add that as well to the baseline FY 2007 distribution.</p>	<p>Calculate the percent increase in total appropriation using FY 2007 distribution as a base. Increase each locality's future allocation based on the percentage change in general fund revenue.</p>
Pros	<p>Regression is very good at predicting crime rates for localities with population 80,000 and over and similar to current formula for predicting crime rates for cities and counties with population 10,000 to 79,999.</p>	<p>By giving additional weight to localities with higher violent crime rates, but only for future increases in the appropriation, the formula would gradually shift additional funds to those localities that the "599" program was intended to assist, while providing that all localities continue to share in increased funds.</p>	<p>Very easy to calculate future distributions based solely on general fund revenue forecasts.</p>
Concerns	<p>Localities would be treated differently in the calculations; the cities that are treated by the formula as towns would receive less funding.</p>	<p>If the overall appropriation were to decrease due to a recession in general fund revenue, the General Assembly would need to determine if reductions would be proportionately applied to all localities.</p>	<p>Not a need-based approach.</p>

Appendix 2
Alternatives for Calculating the "599" Distribution
(Part 3 of 3)

Comparison of FY 2008 "599" Distribution For The Different Models

(Based on total appropriation of \$213,550,605 provided in 2006 Appropriation Act)

	FY 2007 Baseline	Traditional Method	"Hold Harmless"	Demographic Subgroup	60/40	Percentage Increase
County Aid	35.22% (\$72,675,670)	35.60% (\$76,030,667)	35.43% (\$76,093,584)	33.87% (\$72,320,339)	34.73% (\$74,173,715)	35.22% (\$75,215,599)
City Aid	58.98% (\$121,704,070)	58.52% (\$124,980,260)	58.73% (\$126,157,058)	60.19% (\$128,527,140)	59.55% (\$127,172,169)	58.98% (\$125,957,483)
Town Aid	5.80% (\$11,959,551)	5.87% (\$12,539,678)	5.84% (\$12,539,678)	5.95% (\$12,703,126)	5.72% (\$12,204,721)	5.80% (\$12,377,523)

