



# **Report from the Virginia Department of Fire Programs to the Virginia General Assembly**

## **Evaluating the Funding Formula for the Distribution of Aid to Localities**

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## Preface:

During its 2026 Session, the Virginia General Assembly passed Senate Bill 233, patroned by Senator Christopher Head. The bill directed the Virginia Department of Fire Programs (VD FP) to establish a work group to evaluate the funding formula for the distribution of aid to localities through the Fire Programs Fund established in § 38.2-401 of the Code of Virginia. This work group would consist of representatives from the Department of Planning and Budget, the Virginia Fire Services Board, the Virginia Fire Chiefs Association, the Virginia State Firefighters Association, the Virginia Professional Fire Fighters Association, the Virginia Association of Counties, the Virginia Municipal League, and such other stakeholders as VD FP deemed appropriate. The bill charged the group with four tasks:

- i) Considering a survey of the fiscal distress of each locality providing firefighting services
- ii) Considering a survey of the population and total square mileage of each locality providing firefighting services
- iii) Reviewing best practices and funding formulas employed by other states to fund firefighting services
- iv) Recommending changes to the funding formula for the distribution of aid to localities that more equitably address the needs of less populated and rural localities

VD FP shall submit a report on the work group's findings and recommendations to the Chairs of the Senate Committees on Commerce and Labor and Finance and Appropriations and the House Committees on Labor and Commerce and Appropriations by November 1, 2026

This report is provided to meet the requirements of the assessment noted above related to the distribution of Aid to Localities through the Fire Programs Fund.

## Acknowledgements

VD FP would like to acknowledge the following individuals for their participation in this work group:

Department of Planning and Budget: Senior Budget & Policy Analyst Zachary Villegas, Junior Budget & Policy Analyst Elle Falkowski

Virginia Fire Services Board: Chair Abbey Johnston

Virginia Fire Chiefs Association: Chief Dean Fowler, Blairs Volunteer Fire and Rescue; Assistant Fire Chief Todd Lupton, Loudoun County Combined Fire and Rescue System

Virginia State Firefighters Association: Executive Director Larry Gwaltney, Former President Richard Harris

Virginia Professional Fire Fighters Association: Former President Robert Bragg, President Kurt Detrick

Virginia Association of Counties: Director of Intergovernmental Affairs Jeremy Bennett

Virginia Municipal League: Executive Director Michelle Gowdy

Representatives of Virginia's Fire Service\*:

Jackson Baynard, Deputy County Manager, Henrico County

Allen Baldwin, Chief, York County Fire Department

Todd Lagow, Chief, City of Norton Fire Department

\*Three representatives were selected by the Department of Fire Programs to represent the lower, middle, and upper tier of Aid to Localities funding.

## **Executive Summary**

The work group met as directed by the language in SB 233 to review the specified data and evaluate options for revisions to the current population-based formula. Any revisions would be made to more equitably distribute Aid to Localities (ATL) grants from the Fire Programs Fund, specifically to less populated and rural localities. Such localities have faced considerable and increasing difficulties in maintaining their fire services for reasons such as rising costs of firefighting equipment and apparatus due to inflation, fiscal distress, and a national downward trend in volunteerism in the fire service.

The work group reviewed the research completed by VDFP staff that provided data on the population and land area by square mileage of all localities receiving ATL funds. VDFP also provided an overview of the methods of fire service funding used by five neighboring states: Kentucky, Maryland, North Carolina, Tennessee, and West Virginia. Of these states, only Kentucky has a similar funding process using a surcharge on insurance premiums, but it also has significant differences as well. The group considered several possible formulas that utilized different weights for population and land area, as well as a percentage increase for localities listed as fiscally stressed by both the Department of Housing and Community Development and the Virginia Economic Development Partnership. Ultimately, the work group consensus was that any revision that removes funding from some localities to allocate more to other localities is not a satisfactory solution and will not address the root problem. The work group suggested that other options outside of the study charge of SB 233 would be more effective in making progress towards providing more robust support for the Commonwealth's fire services. Two reports, one completed by the Secretary of Public Safety and Homeland Security in 2024 and one by Virginia

Commonwealth University's Center for Public Policy in 2024, offer more tailored recommendations to address the root problem impacting fire departments.

## Background

The Fire Programs Fund is a special nonreverting fund established by § 38.2-401 of the *Code of Virginia*. It is funded via a one percent assessment of the total direct gross premium income for fire-related insurance, paid by licensed insurance companies. Each year, after money is reserved for the Fire Services Grant Program and the Dry Fire Hydrant Grant Program, 75 percent of the remaining fund is allocated to the Aid to Localities (ATL) grant program. These grants are available to all counties, cities, and towns in the Commonwealth that provide fire services to their citizens and may only be used for fire service purposes, such as training, fire safety education, equipment, and apparatus.

The program is administered by VDFP and as specified in the *Code*, allocations are made to localities on the basis of population. The minimum grants have been set at \$15,000 for towns and \$30,000 for counties and cities since April 2020, when they were increased from the \$10,000 and \$20,000 that had been established in February 2013. Should the population-based allocation for a locality fall below those levels, they are subsequently awarded those minimum grants instead. For FY 2025, 144 localities received the minimum award. Applications for these funds are not denied, but localities that do not properly file an application may forfeit their ATL money. Any forfeited ATL money is then distributed equally among the other localities.

There were multiple bills introduced in the 2026 General Assembly Session which would have made changes to the Fire Programs Fund and the allocation of funds to localities from it:

- HB 394 would have increased the fire insurance assessment from 1 percent to 1.5 percent and then 2 percent over the next two fiscal years
- HB 682 would have returned forfeited ATL funds to the Fire Programs Fund and be redistributed as new grants rather than be divided equally among all localities
- HB 986 would have increased the fire insurance assessment from 1 percent to 1.5 percent and created a new Virginia At-Risk Fire Grant Program
- SB 775 would have increased the fire insurance assessment from 1 percent to 1.5 percent and then 2 percent over the next two fiscal years. It also would have established a Virginia At-Risk Fire Grant Program as well as a Personal Protective Equipment Grant Program

None of these bills were passed into law by the General Assembly.

The proliferation of these bills reflect the increasing financial challenges that fire departments face, particularly in less populated and more rural localities. This is an issue that has been the subject of two recent reports. In the 2023 General Assembly Session, HB 2175 directed the Secretary of Public Safety and Homeland Security to establish a work group to study existing

fire service needs, analyze sustainability of current funding, and review alternative funding models from other states. The report from this study, *Service to Others: A Report on the Commonwealth's Fire and EMS Service*, identified several existing issues and challenges faced by the fire and emergency services communities. Among these were increasing call volume, a decline in volunteerism, rising costs of equipment and apparatus, and insufficient funding. Above all else, the need for funding for staffing due to the decline in volunteerism was the most common concern voiced by localities. All of these contributed to many localities struggling to meet the minimum standards for fire protection, as defined by the National Fire Protection Association (NFPA). The work group recommended several possible changes to improve this situation. These recommendations included the General Assembly providing a dedicated funding stream for fire and EMS; a gradual increase in the insurance surcharge to 2 percent as well as loosening restrictions on the use of ATL grants; the establishment of a grant program specifically for staffing; establishing a low-interest loan program for fire and EMS organizations; and statewide equipment contracts to reduce costs to individual agencies.

In 2024, to continue the work began by the HB 2175 Work Group, the Center for Public Policy at Virginia Commonwealth University (VCU) produced a report based on its own analysis, *Review and Assessment of the Sufficiency of Fire and Emergency Medical Services in the Commonwealth of Virginia*. This report studied some of the most prominent issues identified by the HB 2175 Work Group in more detail. It noted that the decline in volunteerism was part of a nationwide long-term trend that began in 2014. The report also warned that additional financial burdens would likely arise from new federal Occupational Safety and Health Administration (OSHA) regulations, and that costs of equipment would almost certainly continue to increase in the near term. The report highlighted that 97.15 percent of funding for fire and EMS services in Virginia came from local governments, with only 1.13 percent from the federal government and 1.72 percent from Virginia state government.

## **Funding in Other States**

VDPF staff researched the methods used by neighboring states to provide funding to their fire services. The states selected were the five that border Virginia – Kentucky, Maryland, North Carolina, Tennessee, and West Virginia. The research was presented to the group for discussion.

### **Kentucky**

The structure of Kentucky's funding program is similar to Virginia's as it also uses a surcharge on insurance premiums. However, unlike Virginia, Kentucky does not use a percentage. It has fixed a \$1.80 surcharge per \$100 of premiums. The revenue from this surcharge is deposited into the Firefighters Foundation Program Fund, which is distributed by the Kentucky Fire Commission. Kentucky also allows the creation of fire protection districts, which may levy property taxes to fund fire services within the district boundaries.

**Maryland**

Maryland uses state budget appropriations to fund a state fire services funding program. The distributions from this fund are based on each county's proportionate share of total property taxes in the state. In order to qualify, municipalities must spend at least \$25,000 of their revenues for fire protection.

**North Carolina**

North Carolina has a complex system with multiple programs that support different types of fire protection. A 0.74 percent tax is applied to gross premiums on insurance contracts for property insurance. This tax is imposed on 10 percent of gross premiums from automobile physical damage coverage as well as 100 percent of the gross premiums from all other contracts for property coverage. Additionally, the state has a Volunteer Fire Department Fund which receives 20 percent of the revenues generated by that tax, and State Fire Protection Fund which receives state budget appropriations to fund local fire protection on state-owned property. Currently, the appropriation for the State Fire Protection Fund is \$4.18 million.

**Tennessee**

Tennessee relies on a combination of general funds from the state's localities budget, county fire tax districts, and state-appropriated competitive grant programs for volunteer fire departments (which comprise more than 73 percent of Tennessee fire departments). The state budget appropriations for these funding programs in FY 2026 was \$20 million.

**West Virginia**

Like Virginia, West Virginia collects a 1 percent surcharge on taxable premiums, paid by insurers, for fire and casualty policies. Of the revenues from this surcharge, 25 percent is deposited into the Fire Protection Fund. In addition to the 1 percent paid by insurers, policyholders are charged 0.55 percent on taxable premiums, of which all revenue is deposited in the Fire Protection Fund. Disbursements from the Fire Protection Fund are generally divided equally among the state's fire departments, with part-time departments receiving a prorated share.

## SB 233 Work Group Discussions

For the working group meetings, VDFP staff conducted research based on the study charge. The land area and population (measured as the percentage of the total population of Virginia) of all localities receiving ATL grants was compiled, as well as a listing of all localities designated as fiscally stressed by both the Virginia Board of Housing and Community Development (BHCD) and the Virginia Economic Development Partnership (VEDP). Research was also conducted to examine the state funding mechanisms for fire services in the neighboring states of Maryland, West Virginia, Kentucky, Tennessee, and North Carolina.

The population and land area data was used to calculate examples of possible alterations to the formula used by VDFP to allot funds to localities through ATL. The first of these examples used a formula weighing population size at 80 percent and land area at 20 percent, with an additional 20 percent funding boost for localities identified as fiscally stressed by both BHCD and VEDP.

**Table 1: Comparison of ATL Funding (80% population, 20% land area, fiscal stress included)**

| LOCALITY         | POPULATION | FISCAL STRESS | WEIGHTED ALLOCATION | CHANGE FROM FY 2025 |
|------------------|------------|---------------|---------------------|---------------------|
| Fairfax County   | Large      | No            | \$4,779,017         | -\$1,600,150        |
| City of Hampton  | Large      | Yes           | \$712,734           | -\$78,573           |
| Augusta County   | Medium     | No            | \$547,272           | \$105,397           |
| City of Danville | Medium     | Yes           | \$226,999           | -\$18,734           |
| New Kent County  | Small      | No            | \$146, 885          | \$14,498            |
| Sussex County    | Small      | Yes           | \$174, 175          | \$129,333           |

The result of this weighting was an increase in ATL grant funds for 82 localities and a decrease for 90 localities. Even with an additional 20 percent for fiscally stressed localities, 20 of the 50 fiscally stressed localities saw a decrease in their ATL funds.

The second formula example calculated the weighted population at 70 percent, land area at 30 percent, and the additional allocation to fiscally stressed localities was set at 15 percent.

**Table 2: Comparison of ATL Funding (70% population, 30% land area, fiscal stress included)**

| LOCALITY         | POPULATION | FISCAL STRESS | WEIGHTED ALLOCATION | CHANGE FROM FY 2025 |
|------------------|------------|---------------|---------------------|---------------------|
| Fairfax County   | Large      | No            | \$4,779,017         | -\$2,097,848        |
| City of Hampton  | Large      | Yes           | \$712,734           | -\$178,858          |
| Augusta County   | Medium     | No            | \$547,272           | \$181,762           |
| City of Danville | Medium     | Yes           | \$226,999           | -\$46,315           |
| New Kent County  | Small      | No            | \$146,885           | \$27,798            |
| Sussex County    | Small      | Yes           | \$174,175           | \$184,188           |

In the second weighted formula, 83 localities would receive more ATL funding, and 81 localities would receive less funding.

Overall, neither of these options were judged to improve the underlying problems faced by fire services. In both cases, some localities benefitted from formula revisions while others lost funding. Additionally, both weighted formulas caused more localities to receive the minimum grant than under the current formula. In FY 2026, 140 localities received the minimum grant of \$15,000 (towns) or \$30,000 (cities and counties). That number rises to 150 and 158 localities, respectively, under the weighted formula examples calculated for this study.

After reviewing the data, examining the hypothetical changes to the ATL allotment formula for grants awarded to localities from the Fire Programs Fund, and the funding methods of neighboring states, the group came to a consensus that there is not a potential revision to the formula that will address the root causes of the funding challenges faced by localities. Under the requirements of the study charge, any revisions to the allotments by considering other factors in addition to population will necessarily create a system in which funding is taken from some localities in order to award additional funding to other localities. None of the work group members would support a loss of funding for any fire department in the Commonwealth. In fact, the work group proposed that a primary principle in any potential changes to the ATL allotment process be that no locality will see a decrease in their current funding. All fire departments, regardless of size, are experiencing the same strain on resources and personnel, and menial increases to smaller localities will likely not address the root cause for concern.

Members of the work group stress that recommendations found in previous study reports from the HB 2175 Work Group and the VCU Center for Public Policy represent viable examples of changes that could address the underlying root causes of the funding challenges faced by Virginia's fire service and urge lawmakers to re-examine these recommendations. Those studies produced voluminous evidence that the factors fueling difficulties for the fire services are multifaceted, extending beyond the basis for awarding ATL funds. A national trend of declining volunteerism has caused many departments to hire more career firefighters to fill roles that had

previously been filled by volunteers, which correspondingly increases personnel costs for departments. The HB 2175 report revealed that 70 percent of Virginia localities cannot meet National Fire Protection Association (NFPA) staffing recommendations, and 91 percent have seen a decline in volunteerism. In a three-year period, 2021 through 2023, there was a 40 percent increase in the total fire and EMS call volume. Consequently, fire services are attempting to respond to more fire and EMS calls with fewer paid and volunteer staff. There have also been large increases in the costs of personal protective equipment and apparatus.

## Recommendations

The work group suggests the following recommendations from the previous studies be revisited:

- a) Increasing the Fire Programs Fund – There is complete consensus among the work group that the surcharge on total gross insurance premiums for five insurance types (fire, casualty, marine, homeowners, and farm owners) that funds the Fire Programs Fund should be increased. The current 1 percent assessment has remained unchanged since 1995. In the subsequent three decades, the needs of the Commonwealth have grown, the demand for services has grown, and the costs of providing fire services have increased significantly. Without increasing the total funds available for distribution from the Fire Programs Fund, any attempt to more equitably allocate funds through ATL grants will necessarily cause many localities to receive smaller grants, a scenario the work group members universally opposed. With a larger Fire Programs Fund, minimum ATL grants could be increased significantly, which would provide greater aid to the most at-risk departments, and all departments would also benefit from increased grant amounts. Any increase in the Fire Programs Fund could also include changes to the funding formula to consider land area, fiscal stress, and emergency call volume.
- b) Direct funding to localities for fire and EMS services – The HB 2175 report recommended the state provide direct funding to localities for fire and EMS services to supplement the grants currently available. In contrast, there are programs available to law enforcement that provide General Fund money to assist localities with staffing costs for police departments and sheriff's offices.
- c) Expanding the permitted uses of ATL grant funds – Today, ATL grants are directed towards use for firefighter training, fire prevention and education initiatives, and equipment and apparatus purchases. The group agrees with recommendations in both previous reports to expand the acceptable uses of grant funds to encompass any funding necessary for localities to provide fire services.
- d) Creating a new grant program targeted for at-risk localities – An increase in the insurance assessment to 2 percent would provide sufficient funds to enable the creation of a new source of funding for the most vulnerable localities at risk of experiencing negative outcomes due to insufficient fire and EMS funding. Some of the criteria suggested as

determining factors for such a grant could include the lowest funding per capita, lowest funding per square mile, lowest funding per call, and highest average response times.

The work group also proposed that additional measures be researched. One recommendation was to use data from the new National Emergency Response Information System (NERIS) to perform analysis that would provide a more complete picture of the operational needs of local fire departments. This analysis could be used as a consideration when allocating ATL grants, giving a more accurate estimate of need than population or land area. As it has been less than a year since NERIS was launched, the data collected to date is insufficient to conduct such analysis, but the group advocates investigating such an approach in the future. Reporting to NERIS is now mandatory for Virginia fire services as a condition of receiving ATL grants, and the group anticipates that NERIS will provide new types of data that should open new solutions-oriented approaches to solving funding challenges.

The work group also suggested surveying localities to determine the amount of non-taxable land falling within the boundaries of each locality. Many localities, particularly counties, have notable land area that cannot be taxed. Non-taxable land includes state-owned land, federally owned land (such as national parks and military installations), and land used for cultural or historical purposes. Localities may be responsible for providing services to such land yet do not receive any tax funds to help pay for those services. Localities with significant non-taxable land may have more acute funding needs, which could be considered as a factor when determining grant awards.

The Virginia Auditor of Public Accounts (APA) has its own method of determining fiscal distress. The APA process uses a quantitative ratio analysis of audited financial reports and, for localities with high ratio points, a qualitative analysis of leading indicators of fiscal distress such as demographics and other non-financial factors. The work group suggests that the APA process should be considered as a more comprehensive metric of fiscal distress for localities rather than the methodology of BHCD and VEDP.

## **Conclusion**

The work group recognizes that many of Virginia's fire services face considerable funding challenges that make it more difficult to provide a desired level of service and public safety to its citizens. However, consensus opinion is that there are no changes to the allotment formula for ATL grants that will adequately address the root causes of those challenges. Additionally, the work group concludes that ATL should not be viewed as the sole mechanism through which the Commonwealth supports local fire services. Instead, ATL should be one component of a broader partnership between state and local governments to provide more robust support for fire and emergency services. The work group also suggests that the recommendations made in the 2023 and 2024 reports, as discussed earlier, represent better potential solutions to make real progress

towards improving the ability of all localities to provide the best possible fire service for the citizens of the Commonwealth.