# Evaluating the Fire Programs Fund Formula

*SB233 Study Group*

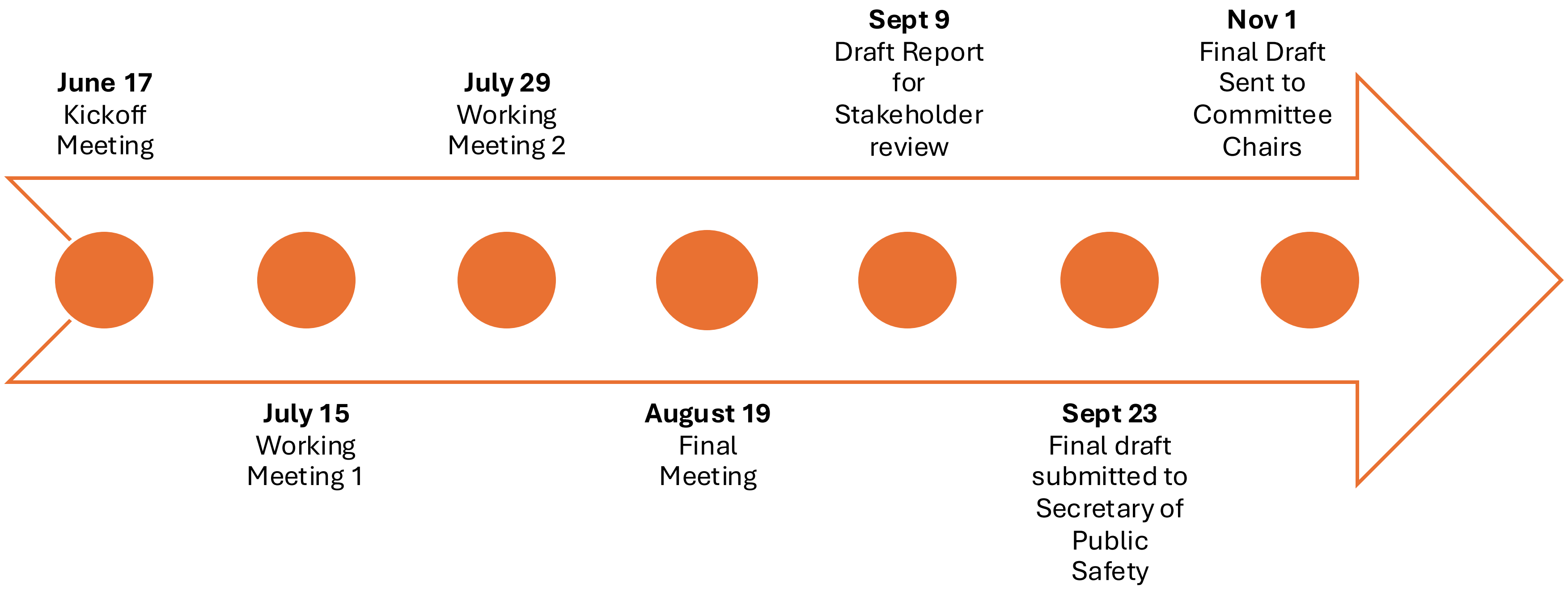
# Senate Bill 233

That the Department of Fire Programs (the Department) shall 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. The work group shall include 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 the Department deems appropriate. In conducting the evaluation, the work group shall consider **(i) a survey of the fiscal distress of each locality providing firefighting services, (ii) a survey of the population and total square mileage of each locality providing firefighting services, (iii) best practices and funding formulas employed by other states to fund firefighting services, and (iv) recommendations for changes to the funding formula for the distribution of aid to localities that more equitably address the needs of less populated and rural localities**. The Department 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.

# Study Charge

- A survey of the fiscal distress of each locality providing firefighting services
- A survey of the population and total square mileage of each locality providing firefighting services
- Determine best practices and funding formulas employed by other states to fund firefighting services
- Produce recommendations for changes to the funding formula for the distribution of aid to localities that more equitably address the needs of less populated and rural localities

# SB 233 Study Timeline



# Current Aid to Localities Distribution

- ATL FY 2026 Allocation: **$49,800,833**
  - FY2026 Minimum Allocation County and City ($30,000); Town ($15,000)

| Summary | Localities | Population | FY 2026 Distribution |
|---|---|---|---|
| Counties | 95 | 5,515,482 | $30,886,728 |
| Towns | 189 | 527,766 | $4,407,894 |
| Cities | 38 | 2,590,145 | $14,506,211 |
| **Virginia** | **322** | **8,631,393** | **$49,800,833** |

# Current Allocation Process

- Today, ATL grants are determined by population
- Each locality's percentage of the total population of the Commonwealth is calculated using data from the most current census
- That percentage is then applied to the total ATL funds projected for the fiscal year
- The minimum award is $15,000 per town and $30,000 per city/county
- Minimum awards are totaled and subtracted from the ATL funds, and then the calculation is performed again for the localities receiving more than the minimum award

# Locality Data – Population and Land Area

- The ten largest localities by population comprise 46.9 percent of Virginia's total population
- 140 localities each contain less than 1 percent of the total population
- No locality contains more than 3 percent of the total square mileage
- Four localities exceed 2 percent of the total VA square mileage: Halifax, Rockingham, Augusta, Pittsylvania
- Ten cities with more than 0.1 percent of square mileage, no towns

# Locality Data – Fiscal Distress

- There are currently 51 localities that score above average or high on the Department of Housing and Community Development fiscal stress index AND are classified as double-distressed according to the Virginia Economic Development Partnership
  - **Fiscal Stress Index:** Illustrates a locality's ability to generate additional local revenues from its current tax base relative to the rest of the commonwealth. The three components are: **(i)** revenue capacity per capita **(ii)** revenue effort (amount of theoretical revenue capacity that the locality actually collects through taxes and fees **(iii)** median household income
  - **Double Distressed:** Site is located in locality with both: **(i)** an annual unemployment rate that is greater than the corresponding statewide average unemployment rate as of the most recent calendar year for which such data is available, and **(ii)** a poverty rate that exceeds the corresponding statewide average poverty rate as of the most recent calendar year for which such data is available.

# Distressed Locality List

- The Department of Housing and Community Development's fiscal stress index illustrates a locality's ability to generate additional local revenues from its current tax base relative to the rest of the Commonwealth
- It has three components:
  - Revenue capacity per capita
  - Revenue effort
  - Median household income
- In the FY23 report (most recent on record), 52 localities were identified as having an above average or high level of fiscal stress

# Distressed Locality List

- The Virginia Economic Development Partnership also classifies localities as "double distressed" when two conditions are met:
  - The locality has an annual unemployment rate that is greater than the corresponding statewide average unemployment rate as of the most recent calendar year for which such data is available
  - The locality has a poverty rate which exceeds the corresponding statewide average poverty rate as of the most recent calendar year for which such data is available

# Changes to the Formula

- SB233 charges this workgroup with considering possible changes to the formula used to determine grant amounts to localities
- Currently, grants are awarded based only on the percentage of population
- An example of a possible revision to the formula would be a percentage calculated by weighting both population and land area.
- Weighting population at 70% and land area at 30% yielded the following as examples of how weighting affected urban, suburban, and rural localities:

| SIZE | LOCALITY | POP% | LAND% | WEIGHTED ATL | CHANGE FROM ACTUAL |
|---|---|---|---|---|---|
| URBAN | FAIRFAX COUNTY | 12.81% | 0.98% | $4,393,818 | -$1,985,349 |
| SUBURBAN | HANOVER COUNTY | 1.19% | 1.17% | $561,741 | -$29,160 |
| RURAL | AMHERST COUNTY | 0.34% | 1.19% | $281,582 | $113,123 |

# Practices in Neighboring States

- Research into neighboring states' fire services funding and disbursement:
- West Virginia
  - Similar to VA, the WV Code collects 1% on taxable premiums, paid by insurers, for fire and casualty policies
  - Deposited into the Municipal Pensions and Protections Fund, with 25% then distributed to the Fire Protection Fund
  - Generally divided equally among departments, with pro-rated shares for part-time departments.
  - A .55% surcharge on taxable premiums is also paid by policyholders and directed to the Fire Protection Fund
- Maryland
  - Maryland uses the Senator William H. Amoss Fire, Rescue and Ambulance fund to support fire services
  - Supported by state budget appropriations
  - Distribution based on each county's proportionate share of total property tax accounts in the state
  - Municipalities are eligible to receive a portion of the funds if spending more than $25,000 of municipal revenues for fire protection

# Practices in Neighboring States

- North Carolina
  - Has a 0.74% tax applied to gross premiums on insurance contracts for property insurance
  - This tax is imposed on 10% of gross premiums from automobile physical damage coverage as well as 100% of the gross premiums from all other contracts for property coverage
  - 20% of proceeds from this tax are credited to the Volunteer Fire Department Fund
  - The NC General Assembly annually appropriates up to $4.18 million to the State Fire Protection Fund from the General Fund. This is only for providing local fire protection for State owned property.

# Practices in Neighboring States

- Tennessee
  - Relies on a combination of general funds from the localities budget, county fire tax districts, and state-appropriated competitive grant programs for volunteer fire departments (which comprise more than 73% of Tennessee fire departments)
  - Local property taxes are primary means of fire service funding. Tennessee code provides for counties to establish county-wide fire departments funded through fire and emergency services tax districts
  - A Volunteer Firefighter Equipment and Training Grant Program, funding through legislative appropriations, is the primary state-level means of funding
  - FY26 appropriation was $20 million
- Kentucky
  - Structurally, closest to ATL in Virginia
  - Using a per-dollar surcharge rather than a percentage tax, insurers that write property or casualty coverage in Kentucky are required to charge and collect from each policyholder a $1.80 per $100 of premium
  - Surcharges are deposited into the Firefighters Foundation Program Fund, distributed by the Kentucky Fire Commission
  - Also allows the creation of fire protection districts, which may levy property taxes to fund fire services within the district boundaries.

# Acceptable Spending in Other States

- West Virginia: Allocations are designated for the exclusive benefit of fire protection or emergency services in each county
- Maryland: Funds distributed from the Senator William H. Amoss Fire, Rescue, and Ambulance Fund may be used to:
  - acquire or rehabilitate fire or rescue equipment, including ambulances
  - acquire or rehabilitate capital equipment used in connection with fire or rescue equipment
  - rehabilitate facilities used primarily to house fire fighting equipment, ambulances, and rescue vehicles
  - acquire land for the purpose of rehabilitation or construction of a fire, rescue, or ambulance facility
  - acquire wireless telecommunications devices, computers, and related computer equipment if used exclusively for fire protection, rescue, and ambulance services
  - acquire machinery and equipment if used exclusively for fire protection, rescue, and ambulance services

# Acceptable Spending in Other States

- North Carolina: North Carolina uses a complex set of funding mechanisms with acceptable uses varying by fund
    - Volunteer Fire Department Fund: Available only to all-volunteer departments, with a limit of eight full-time paid positions. Grants may be used to purchase equipment, payment of highway use taxes on that equipment, costs of putting into service equipment acquired from the Department of Defense, and capital improvements for fire protection services
    - State Fire Protection Grant Fund: To be used only to provide local fire protection for state-owned property

# Next Steps

- Review data
- Consider possible alterations to the current ATL allocation process
- Next meeting (virtual) to discuss ideas: July 15
- Questions?