ADM – Average Daily Membership. This pupil count equals the aggregate days of membership (sum of days present and days absent divided by days taught). The 1997 General Assembly passed HB 1860 which amended 22.1-253.13.1, Code of Virginia, by adding subsection H to clarify that a student enrolled in a public school on less than a full-time basis could be counted in average daily membership. Budget language was added in the Appropriations Act to establish the mechanism through which nonpublic and home instructed students enrolled less than full-time will be counted in ADM for payments under the Standards of Quality. Specifically, 22.1-253.13.1, Code of Virginia, was amended to state:

Students enrolled in a public school less than a full-time basis shall be counted in average daily membership (ADM) in the relevant school division. Students who are either (i) enrolled in a nonpublic school or (ii) receiving home instruction pursuant to 22.1-254.1, and who are enrolled in public school on a less than full-time basis in any mathematics, science, English, history, social science, vocational education, fine arts, or foreign language course shall be counted in the average daily membership (ADM) in the relevant school division on a pro rata basis as provided in the Appropriation Act. However, no nonpublic or home schooled student shall be counted as more than one-half student for purposes of such pro rata calculation. Such calculation shall not include such students in other public school courses.

The budgetary language added to the Appropriations Act established the mechanism for counting the student in ADM. Item 140 A. 1. c. states that "...Each course shall be counted as 0.25, up to a cap of 0.50 of a student." The listing of permissible courses of study for which a child may be counted in ADM is different from that provided in HB 1860 from that provided in the Appropriations Act. Specifically, the Appropriations Act language does not provide for the counting of vocational education or fine arts courses toward meeting the ADM equivalent. Section 4-11.00 of the Appropriations Act states that provisions of the Appropriations Act will supersede those established in the Code of Virginia.

ADM Index (Average Daily Membership Composite Index) - Average Daily Membership Composite Index. One of the two indices, which comprise the Local Composite Index. The ADM Index is calculated by the summation of the three weighted Local to State Standardized ADM ratios. The weighted (0.6667) ADM Index is summed with the weighted (0.333) Population Index. Higher values of the ADM index are generally typical of school divisions with higher per pupil densities of a
given indicator than the mean of the state for that indicator. See Appendix B for a diagram of the Local Composite Index formula.

\((\text{AGI/ADM})_{\text{LOCAL}}\) - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the local Virginia Adjusted Gross Income of Virginia residents divided by the number of pupils in the Average Daily Membership of the local school division. See Appendix B for the Local Composite Index formula.

\((\text{AGI/ADM})_{\text{STATE}}\) - One of the six Standardized State Indicators used in the Virginia Local Composite Index comprised of the aggregate Statewide (Virginia) Adjusted Gross Income divided by the aggregate number of pupils in the Statewide Average Daily Membership. See Appendix B for the Local Composite Index formula.

\((\text{AGI/POP})_{\text{LOCAL}}\) - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the local Virginia Adjusted Gross Income of Virginia residents divided by the number of persons comprising the resident population within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

\((\text{AGI/POP})_{\text{STATE}}\) - One of the six Standardized State Indicators used in the Virginia Local Composite Index formula comprised of the aggregate Statewide (Virginia) Adjusted Gross Income of Virginia residents divided by the number of persons comprising the Statewide resident population. See Appendix B for the Local Composite Index formula.

**Adjusted Gross Income (AGI)** - Virginia AGI is one of the three indicators used in the Local Composite Index formula. AGI is the income reported by Virginia taxpayers each year on Virginia’s income tax reporting forms. It is based on the federally adjusted gross income with several adjustments. These adjustments include both the addition and subtraction of certain items to the federally adjusted gross income. The following items are added to the federal adjusted gross income in calculating Virginia AGI:

- interest from debt instruments of other states
- the ordinary income portion of a lump sum distribution from a qualified retirement plan
- interest and dividend income which U.S. law exempts from federal income tax but not state income tax
Items subtracted from federal adjusted gross income include:

- all or a portion of qualified retirement benefits if retirement income was less than $40,001
- interest from federal obligations exempt from state income tax, but not federal income tax
- certain benefits received under the Social Security Act, Railroad Retirement Act, and the Workman’s Compensation Act
- foreign source income received as a Virginia resident

In the calculation of the fiscal capacity of a school division the total adjusted gross income (AGI) of a jurisdiction’s residents functions as a surrogate for specific resource bases to which the “other” revenue instruments of a locality are applied. Derived from State income tax returns and reported by geographic code exclude most Social Security benefits and various other transfer payments, investment income retained by life insurance carriers and private uninsured pension funds, non-cash imputed income, tax-free interest and dividends, and the income received by “non-resident” military personnel stationed in Virginia. Additionally, jurisdictional AGI figures do not reflect the income of residents who are exempt from filing Virginia state tax returns. The primary source for this information is the Virginia Department of Taxation (DOT) document: Virginia Adjusted Gross Income, Taxable Year for the years 1984 - 1996. A secondary source for this data is the Superintendent’s Report for the years 1984 - 1996.

Unlike personal income Virginia AGI excludes transfer payments, certain fringe benefits, income of persons not required to file a tax return, and income of non-resident military personnel. While overall these exclusions may be slight, they can substantially affect calculations for individual localities. For example, the exclusion of non-resident military income from AGI can have a significant impact on the apparent wealth of counties such as Prince George and cities such as Norfolk and Virginia Beach due to the relatively large military population.

**Balanced Change** - One of the three change trends in the LCI identified for this study characterized by a small correlation between a locality's LCI and its subsequent Biennial Change Rate. Balanced Change is indicative of a mean State Biennial Change Rate that approaches the median change rate for the Local to State Ratios (and ultimately, the LCI). Balanced change indicates that the future direction of change (growth or decline) is not related to a school division's present LCI value. This approximately "balanced" distribution of locality change rates appears to coexist with a minimum of internal volatility in the LCI.
**Biennial Change Rate (BCR)** - Applied to Local and State Standardized Indicators and the Local to State Ratio, the difference in the value for an earlier (initial) biennium subtracted from the corresponding value for the subsequent (final) biennium; and the resultant quantity divided by the value for the earlier (initial) biennium. Refer to Chapter 3. See also *Net Biennial Change Rate* in this Glossary.

**Composite Multiplier** - The value used to multiply the weighted sum of the Average Daily Membership Index. These values were as follows for their respective biennia:

- 1974-76 through 1986-88: 0.50
- 1988-90: 0.49
- 1990-92: 0.47
- 1992-94 through 1996-98: 0.45

**Convergent Change** - One of the three change trends in the LCI identified for this study characterized by a moderate negative correlation between a locality's LCI and its subsequent Biennial Change Rate. Convergent Change is indicative of a mean State Biennial Change Rate that is moving toward the median change rate for the Local to State Ratios (and ultimately, the LCI). The Convergent Change trend is identified by low fiscal capacity school divisions (as identified by the LCI) exhibiting higher Biennial Change Rates, that lead to increased LCI values. Conversely, higher fiscal capacity school divisions (as identified by the LCI) exhibit smaller or even negative Biennial Change Rates that precipitate corresponding decreased LCI values for the succeeding biennium. This change is illustrated by a distribution of school division rates of change, which appear to coexist with an increase in internal volatility in the LCI.

**Cumulative Biennial Change Rate.** The Cumulative (by summation) of the individual Standardized Indicator and Local to State Ratio Biennial Change Rates over the study period (7 biennia). Refer to the appropriate sections in Volume II: Technical Appendix.

**Dampening** - The process of lowering the Local Net Biennial Change Rate (numerator of the Local to State Ratio) to a value below the value it would have achieved independent of the Local to State Ratio structure. The magnitude and direction of the Dampening effect is dependent upon the magnitude and direction of the respective State Net Biennial Change Rate (denominator of the Local to State Ratio). There are general two types of dampening identified in this study that are indicative
of various Local to State Ratio volatility types: Incomplete and Complete. Each type is shown and discussed below.

**Figure A 1.0: Complete Dampening of the Local to State Ratio**

Note: There are three Net Biennial Change Rates shown: 1) the Local to State Ratio Net Biennial Change Rate (violet), 2) the Local Net Biennial Change Rate (blue), and 3) the State Net Biennial Change Rate (red).

In the above example, the Local Standardized Indicator (initially at 0.5045) increased to 0.6000 due to local factors. The Dampening effect due to the State (denominator of the Local to State Ratio) lowers the 0.6000 to 0.5015, a value lower than it would have achieved due to local factors alone. In fact, in this example, the local effects were **Completely Dampened** as the final value of 0.5015 is lower than the initial value of 0.5045.
The Local to State Ratio is the result of the sum of the Local and State Net Biennial Change Rates.

- **The Local Net Biennial Change Rate** (composed of the Local Indicator increase and the Local ADM or POP decrease) increased from 0.5050 to 0.6010 or 19.010%.
- **The Local to State Ratio Net Biennial Change Rate** decreased from 0.5050 to 0.5015 or -10.325%.
- **The State Net Biennial Change Rate** (composed of the State Indicator increase and the State ADM or POP increase) decreased from 0.6000 to 0.5015 or -29.255%.

Although the Local Net Biennial Change Rate was positive, the higher State Net Biennial Change Rate dampened this change resulting in a Local to State Ratio value lower than its initial value.

**Figure A 1.1: Incomplete Dampening of the Local to State Ratio**

Note: There are three Net Biennial Change Rates shown: 1) the Local to State Ratio Net Biennial Change Rate (violet), 2) Local Net Biennial Change Rate (blue), and 3) State Net Biennial Change Rate (red).
The Local to State Ratio is the result of the sum of the Local and State Net Biennial Change Rates.

- **The Local Net Biennial Change Rate** (composed of the Local Indicator increase and the Local ADM or POP decrease) increased from 0.5015 to 0.6000 or 19.641%.
- **The Local to State Ratio Net Biennial Change Rate increased** from 0.5050 to 0.5015 or 0.598%.
- **The State Net Biennial Change Rate** (composed of the State Indicator increase and the State ADM or POP increase) decreased from 0.6000 to 0.5045 or -19.043%.

Although the Local Net Biennial Change Rate was positive, the higher State Net Biennial Change Rate dampened incompletely the Local to State Ratio to a value higher than its initial value, yet lower than it would have achieved solely due to local change. Incomplete Dampening results from a State Net Biennial Change Rate that is smaller in magnitude (and in the direction, although expressed as its opposite) than the Local Net Biennial Change Rate.

**Divergent Change** - One of the three change trends in the LCI identified for this study characterized by a moderate positive correlation between a school division's LCI and its subsequent Biennial Change Rate. Divergent Change is indicative of a mean State Biennial Change Rate that is moving away the median change rate for the Local to State Ratios (and ultimately, the LCI). The Divergent Change trend is identified by low fiscal capacity as identified by the LCI school divisions exhibiting lower or sometimes, negative Biennial Change Rates that lead to decreasing LCI values. Conversely, higher fiscal capacity school divisions as identified by the LCI exhibit larger or positive Biennial Change Rates that precipitate corresponding increased LCI value for the succeeding biennium. This change is illustrated by a distribution of locality change rates appears to coexist with an increase in internal volatility in the LCI.
**Enhancement** - The extension (in either a positive or negative direction) of the Local Net Biennial Change Rate (numerator of the Local to State Ratio) to a value that it would not have achieved independent of the Local to State Ratio structure. The magnitude and direction of the Enhancement effect is dependent upon the magnitude and direction of the respective State Net Biennial Change Rate (denominator of the Local to State Ratio).

There are typically two types of Complete Enhancement identified in this study: 1) Complete Enhancement due a Negative State Net Biennial Change Rate and 2) Complete Enhancement due a Positive State Net Biennial Change Rate.

![Figure A 1.2: Complete Enhancement of Positive and Negative Local Net Biennial Change Rates](image)

**Equalized or True Valuation** - A method applied to the real property tax base in order to standardize its valuation across jurisdictions, usually the State.
**Federal Impact Aid** - Federal Aid from P.L. 874 designed to compensate localities for the loss of real property tax revenue due to the location a federal installation with the locality's jurisdiction.

**Fiscal Capacity** - The ability of a government to raise own-source revenue. Standardized fiscal capacity among localities and school divisions is determined by dividing the measure of capacity by some unit such as population or pupils. With the adoption of the Virginia finance formula in the 1974-76 Biennium, the local school division fiscal capacity measure became a ratio index entitled the “Local Composite Index.”

**Local to State Ratio** - See *Local (Standardized Indicator) to State (Standardized Indicator) Ratio*.

**Local Composite Index (LCI)** – Implemented by the Virginia General Assembly the Local Composite Index is composed of 50 percent True Valuation of Real and Public Service Corporations, 40 percent Virginia Adjusted Gross Income, and 10 percent Taxable Retail Sales and Use Tax Receipts, and is weighted two-thirds for Average Daily Membership (per pupil in ADM) and one-third for total Population (per capita in POP). A Local Composite Index value is computed for each school division in Virginia biennially. It is used in the computation to determine the state and the local school division’s share of the basic education cost. Refer to Chapter 3 for further discussion and Appendix B for the Local Composite Index formula.

**Local Net Biennial Change Rate** - The sum of the Biennial Change Rate of the Local Indicator and the Biennial Change Rate of the standardization unit, ADM or POP.

**Local Revenue** – The combined money a school division receives from school county-town-city funds, school division funds, and other funds derived from local sources (excluding debt service and capital outlay).

**Local Standardized Indicator** - See *Standardized Indicator*.

**Local (Standardized Indicator) to State (Standardized Indicator) Ratio** - Used in this study to denote a Local Standardized Indicator that is divided by the State Standardized Indicator (the State Mean). The Standardized Local to State Ratios for True Real and Public Service Corporation Valuation of Property, Adjusted Gross Income, and Taxable Retail Sales and Use Tax Receipts are
differentially weighted and summed to form either the ADM Index or the Population Index of the Local Composite Index.

**Mean** - A widely used measure of central tendency calculated by dividing the sum of a number of values by the number of values. The mean is influenced by extreme data values much more than the median. The mean is the arithmetic average.

**Median** - A measure of central tendency that is the central or middle observation, when all data are arranged in an increasing sequence. In general, the median is the value above or below which lies an equal number of observations. The median is the average of position.

**Net Biennial Change Rate (Local to State Ratio)** - The sum of State and Local Net Biennial Change Rates of a Local (Standardized Indicator) to State (Standardized Indicator) Ratio. The Net Biennial Change Rate indicates the rate of the resultant magnitude and direction of the interactive effects of local and state factors. Refer to Chapter 3 and Local (Standardized Indicator) to State (Standardized Indicator) Ratio Net Biennial Change Rate.

**Net Biennial Change Rate (Local)** - See Local Net Biennial Change Rate.

**Net Biennial Change Rate (State)** - See State Net Biennial Change Rate.

**Personal Income** - Personal Income is a concept developed by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). Personal Income is a broader concept than Virginia Adjusted Gross Income (AGI). Personal Income includes the following items not included in AGI:

- all transfer payments such as Social Security and unemployment benefits
- certain fringe benefits
- imputed income such as wages and salaries paid-in-kind, the net rental value of owner occupied houses, the net value of food and fuel produced and consumed on farms, and imputed interest earned from financial intermediaries
- dividends excluded from taxation
- tax-exempt interest and dividend distributions
- the income of persons not required to file a tax return
- the income of non-resident military personnel stationed in Virginia
- the income from private trust, pension, health, and welfare funds
Planning District - One of the twenty-one regional jurisdictions composed of contiguous counties and cities throughout the Commonwealth that assists its members with regional planning efforts. Refer to Volume II: Technical Appendix, H: Virginia Cities and Counties by Planning District.

Population - The total resident population in a county or city calculated by for a given calendar year.

Population Index (Population Composite Index) - One of the two indices used in the Local Composite Index. It is multiplied by and summed with the ADM Composite Index, and finally multiplied by a Composite Multiplier ranging from 0.50 to 0.45 (depending upon the biennia) to form the Local Composite Index.

Range - The difference between the maximum and minimum values in a data set.

Regression - A method of analyzing the variability of a dependent variable utilizing information available on one or more independent variables. Regression attempts to answer the question: "What are the expected (predicted) changes in the dependent variable as a result of changes (observed or induced) in the dependent variables?"

Required minimum local expenditure – The required dollar amount a school division must pay to meet the mandated Standards of Quality (SOQ) requirements. It is calculated by multiplying the adjusted average daily membership by the school division’s individualized per pupil basic aid amount to equal the total cost of the program. Next, the sales tax is subtracted from the total cost of the program and the result is multiplied by the Local Composite Index value. The locality pays the resultant amount, and the state pays the remaining share.

School Division - In the Commonwealth of Virginia, the term "school division" is used to denote a political subdivision dependent upon the city, county, or town governing body through which local public education is organized. A Virginia public school division is comparable to a public school district in many other states, except without the taxing authority as Virginia school divisions are fiscally dependent upon their local governing body. Thus, the indicators for a public school division are effectively the identical indicators for a "locality" in Virginia. This study is expected to contribute to the understanding of a complex problem for citizens and members of the Virginia General Assembly, hence, the use of terminology unique to the state.
**Standardized Composite Multiplier** - The use of 0.50 as a Composite Multiplier for the purposes of standardizing the Local Composite Indices for comparison over the seven biennia investigated in this study.

**Standardized Indicators** - An Indicator is said to be standardized, when it is divided by a unit such as Average Daily Membership or population to form per pupil or per capita units of analysis. There are six Standardized Indicators in the Local Composite Index. For example, total True Real and Public Service Corporation Property Valuation can be divided by the number of pupils in Average Daily Membership to give a value of True Property per pupil. Another unit used to standardize an indicator is population or per capita figures.

**State Basic Aid** - Grants that are allocated from the state to local school divisions, or their respective local governments, without specified expenditure restrictions for the operation of public elementary and secondary schools. The portion of public school division revenue that is the major grant-in-aid from the State to local school divisions for funding current operations. State Basic Aid is distributed on a school division’s ability to provide a minimum educational program. In Virginia funds are distributed as State Basic Aid for school division N according to the following formula:

\[
\text{State Basic Aid}_N = (1.0000 - \text{Local Composite Index}_N) \times (\text{SOQ}_N - 1\% \text{ Sales Tax}_N)
\]

Where:

- **State Basic Aid}_N**: Basic Aid in support of SOQ for a school division N
- **Local Composite Index}_N**: Local Composite Index for a school division N
- **SOQ}_N**: Cost of the Standard of Quality for a school division N
- **1% State Sales and Use Tax}_N Receipts**: State distribution of the 1 percent Retail Sales and Use Tax Receipts earmarked for K-12 education for a school division N

The Virginia State Basic Aid formula was designed such that each locality funded a percentage of Basic Aid costs through local resources based on local ability to pay or fiscal capacity. Lower fiscal capacity school divisions receive a higher proportion of per pupil costs from state funds than higher fiscal capacity divisions.
**State Standardized Indicator** - See *Standardized Indicator*.

**Synthetic Change** - The change contributed by increases or decreases in the Standardization unit (Average Daily Membership or Population) that are larger in magnitude and opposite in direction from the Indicator.

There are many scenarios possible depending upon the Indicator change. Often, rural, low growth school divisions experience higher percentage of ADM or Population loss compared with their small rate of indicator growth. Suburban school divisions in rapidly growing localities experience extremely high rates of ADM or Population growth with moderate or lagging growth in the Indicator.

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**Figure A.1.3. Synthetic Change in the Local Standardized Indicator**

Note the Local ADM or POP increased Biennial Change Rate is larger than the Local Indicator Change Rate, thus synthetically lowering the Local Net Biennial Change Rate.

**Figure A.1.4.: Synthetic Change in the State Standardized Indicator**

Note the State ADM or POP increased Biennial Change Rate is larger than the State Indicator Change Rate, thus synthetically lowering the State Net Biennial Change Rate.
(TPV/ADM)$_{LOCAL}$ - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the Local True Real and Public Service Corporation Property Valuation divided by the number of pupils in Average Daily Membership within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

(TPV/ADM)$_{STATE}$ - One of the six Standardized State Indicators used in the Virginia Local Composite Index formula comprised of the aggregate Statewide True Real and Public Service Corporation Property Valuation divided by the number of pupils in average daily attendance within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

(TPV/POP)$_{LOCAL}$ - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the local True Real and Public Service Corporation Property Valuation divided by the number of persons comprising the resident population within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

(TPV/POP)$_{STATE}$ - One of the six Standardized State Indicators used in the Virginia Local Composite Index formula comprised of the aggregate Statewide True Real and Public Service Corporation Property Valuation divided by the number of persons comprising the Statewide resident population. See Appendix B for the Local Composite Index formula.

(TRS/ADM)$_{LOCAL}$ - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the local Taxable Retail Sales and Use Tax Receipts divided by the number of pupils in average daily membership within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

(TRS/ADM)$_{STATE}$ - One of the six Standardized State Indicators used in the Virginia Local Composite Index formula comprised of the aggregate Statewide Taxable Retail Sales and Use Tax Receipts divided by the number of pupils in Statewide Average Daily Membership. See Appendix B for the Local Composite Index formula.
(TRS/POP)\text{LOCAL} - One of the six Standardized Local Indicators used in the Virginia Local Composite Index formula comprised of the local Taxable Retail Sales and Use Tax Receipts divided by the number of persons comprising the resident population served by the local school division. See Appendix B for the formula.

(TRS/POP)\text{STATE} - One of the six Standardized State Indicators used in the Virginia Local Composite Index formula comprised of the aggregate Statewide Taxable Retail Sales and Use Tax Receipts divided by the number of persons comprising the resident population within the jurisdiction served by the local school division. See Appendix B for the Local Composite Index formula.

**Taxable Retail Sales and Use Tax Receipts (TRS)** - Virginia Taxable Retail Sales and Use Tax Receipts includes all retail sales on the following items: apparel, automotive supplies, food (including restaurant and tavern sales), home furnishings and equipment, general merchandise, lumber and building materials, fuel, machinery, and miscellaneous items such as antiques, books, cigars, florist sales, gifts and novelties, jewelry, luggage and leather goods, sporting goods, and hotels and motels. Different from the U.S. Department Taxable Retail Sales and Use Tax Receipts figures Virginia does not include motor vehicles and travel trailers, motor vehicle fuels, prescription drugs, and Alcoholic Beverage Control (ABC) sales. Virginia Taxable Retail Sales and Use Tax Receipts include taxes on hotels and motels, whereas the Department of Commerce does not. In 1977 the Retail Sales and Use Tax rate was 4 percent, and in 1987 it was increased to 4.5 percent. The state returns 1.0 percentage point of this tax to localities based on the point of collection. The remaining 3.5 percentage points are distributed by the state to the general fund, the transportation trust fund, and localities for education purposes. Of the 3.5 percent, an additional 1.0 percent is earmarked for education and redistributed back to the locality on the basis of the number of resident children that comprise school age population (ages 4-19). (Commonwealth of Virginia, Department of Taxation, *Taxable Retail Sales in Virginia Cities and Counties 1987* (Richmond, VA: 1987)).

In 1996-97, $2.1 million was included in the Appropriations Act to provide a one-time payment to school divisions receiving less state funding in the first year as a result of a loss in school age population between the years 1992 and 1996. The additional payment was made to local school divisions requesting such payment, for a percentage of the difference between the funding the division would receive using the 1992 School Census in the first year and the funding that would be
received from these accounts in the first year using the 1996 School Census. Such payments were made in accordance with the schedule below:

<table>
<thead>
<tr>
<th>Composite Index</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0000 to 0.1999</td>
<td>85%</td>
</tr>
<tr>
<td>0.2000 to 0.3499</td>
<td>70%</td>
</tr>
<tr>
<td>0.3500 to 0.4999</td>
<td>45%</td>
</tr>
<tr>
<td>0.5000 or greater</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Total Local Revenue** - The total local revenue imputed to a city or county from the exercise of all authorized taxing authorities.

**Total School Division Operating Revenue** - The combined money received by a public school division from state, city-county, and school division funds excluding revenues from loans and bonds.

**True Real and Public Service Corporation Property Valuation (TPV)** - The total estimated value of locally taxed property composed of two components: (1) real estate and (2) public service corporation property. The estimated true value of real estate is computed as the fair market value reported in the local land book, divided by the median assessment/sales ratio for the locality. The public service corporation component includes the value reported for each locality by the State Corporation Commission, and the estimated true value of railroad and pipelines for each locality as reported by the Railroad and Pipeline Appraisal Section of the Department of Taxation. (Source: Virginia Department of Taxation).

**Volatility** - In general, volatility is a characteristic attributed to fiscal capacity to denote excessive change in values or sensitivity to economic conditions from one period to another. Specifically, for the conduct of this study volatility is the fluctuation in the Local to State Ratio value between biennia that is due to the differential rate of change in the denominator or State portion of the ratio. This volatility may exhibit dampening (complete or incomplete) or enhanced (positive or negative) effects. Depending on the magnitude and direction of the individual Local to State Ratio volatility, the Local Composite Index may vary.
Volatility Type - For the conduct of this study, one of the Selected Local to State Ratio patterns of Net Biennial Change Rates of Local to State Ratios. See Appendix C: Analysis of Selected Local to State Ratio Volatility Types.