Commonwealth of Virginia
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Executive Director

TO: BHC members
FROM: BHC staff
DATE: November 12, 2025
RE: Local match of CSB state funding

As directed by BHC members through the 2025 work plan, staff conducted a limited-scope study examining the required local match of state funding to Community Services Boards (CSBs). This study focused on identifying the funding contributed by localities and analyzing factors that may limit those contributions. Research methods used to conduct the study included interviews with staff at the Department of Behavioral Health and Developmental Services (DBHDS) and the Virginia Association of Community Services Boards (VACSB), a review of all waiver applications submitted between FY23 and FY26, an analysis of state and local budget data spanning FY20 through FY25, and a statistical analysis of factors associated with local match funding. All figures and tables can be found at the end of this document.

Summary

- Between 11 and 15 CSBs have fallen short of the 10 percent local match requirement each year since FY22
- Fiscal stress and population density, a proxy for rurality, are strong predictors of local contributions. CSBs that do not receive the required 10 percent local match tend to face greater fiscal constraints and be located in rural areas of the state
- Rapid increases in state funding and regional responsibilities can make it difficult for CSBs to maintain the required matching level, particularly when required local contributions grow faster than localities can adjust their budgets
- The current matching requirement applies uniformly and does not account for the variation in local fiscal capacity, rurality, and other relevant characteristics such as regional responsibilities
- CSBs generally work actively to secure local funding. However, some localities may choose to contribute below the expected level, and both CSBs and DBHDS have limited ability to compel increased contributions

Background

§ 37.2-509 of the *Code of Virginia* establishes a 90/10 funding split for CSBs. State allocations are capped at 90 percent of combined state and local funding, with the remaining 10 percent required to come from localities within each CSB's coverage area. This requirement applies to both operating funds and capital projects. CSBs that fall short of the 10 percent local match are subject to proportional reductions in their state allocation unless granted a waiver by DBHDS. The State Board of Behavioral Health and Developmental Services has expanded on these statutory requirements through policy documents.

The Code sets the matching requirement at the CSB level but does not prescribe how multi-jurisdictional CSBs should allocate the 10 percent across member localities. CSBs have therefore adopted varying methodologies: some allocate based on population, others on services provided or clients served, and some use combinations of these factors. JLARC has found that multi-jurisdictional CSBs achieve substantially lower average match rates than single-jurisdictional CSBs, which may be attributable in part to complex inter-locality relationships and the lack of standardized allocation methods.

Trends in local match

Between 11 and 15 CSBs have fallen short of the 10 percent local match requirement each year since FY22, with shortfalls concentrated in rural and fiscally stressed areas. In FY25, 11 CSBs received less than the required 10 percent local match, reaching a peak of 15 in FY24 (Figure 1). These CSBs are predominantly located in rural areas of the state—Southside, Southwest, the Valley, and the Eastern Shore (Figure 2).

The combined shortfall between the required local match and actual local contributions totaled $3.4 million in FY25, representing 0.3 percent of total CSB funding that year ($1.0 billion) (Figure 3). The same CSBs did not consistently receive less than the required local match; some CSBs experienced one-time shortfalls during challenging fiscal years, while others consistently fell below 10 percent across multiple years. In some cases, every locality in a CSB's coverage area fell short of the requested match; in others, a single locality's shortfall was sufficient to bring the CSB below the 10 percent threshold. Most CSBs met or exceeded the 10 percent requirement in FY25, with some receiving significantly more than 10 percent from their local governments (Figure 4). Local funding represented approximately half of CSB funding, on average across all boards in FY25.

Factors impacting local contributions

Fiscal stress and population density are strongest predictors

Fiscal stress and population density are the strongest predictors of local contributions. Based on statistical analysis, a locality with low fiscal stress contributes $12.5 million more than a locality with high fiscal stress on average, holding constant other factors such as population, population density, and political leaning. Population density, which is a proxy for rurality, has an equally significant effect: for every additional person per square mile, localities contribute approximately $1,350 more. Urban localities average $10 million in contributions, suburban localities $4.7 million, and rural localities $180,000. The significance of fiscal stress and rurality on local contributions helps explain the geographic pattern observed among CSBs falling below the 10 percent local match threshold.

Population, tax base, and competing priorities are reasons most commonly cited by localities

CSBs most frequently cited small population size, limited tax revenue, and competing priorities as reasons why localities fell short of the match requirement, based on a review of all waiver applications submitted during the past three years. CSBs describe how localities with small populations generate limited tax revenue and often have a flat or declining revenue base, making it difficult to increase contributions to CSBs even when they recognize the need. Behavioral health funding also competes with other pressing local needs. CSBs cite that localities are directing available resources to school infrastructure projects, disaster recovery and repairs, and public safety investments.

The majority of CSBs appear to make good-faith efforts to obtain local funding, describing processes that include formal request letters, meetings with local government officials, and detailed funding applications. Some local governments face genuine fiscal hardships making increased contributions difficult. A smaller number of localities appear less committed to CSB funding, though distinguishing between genuine inability and unwillingness to contribute can be challenging.

Increases in state funding trigger higher local match requirements

Large increases in state funding have corresponded with greater difficulty for CSBs in meeting the match requirement. State appropriations to CSBs increased 59 percent over five years—from $347 million in FY20 to $552 million in FY25. The highest numbers of CSBs falling below the 10 percent threshold corresponded with the steepest increases in state funding, peaking at 15 CSBs in FY24 (Figure 5).

Local match requirements adjust automatically with state funding levels. When state appropriations increase, the required local match increases proportionally. However, local budget processes often conclude prior to the start of a General Assembly session in January. A locality that budgeted for a certain CSB contribution level at the start of its fiscal year may be unable to increase that contribution to maintain the 10 percent ratio on short notice when state funding increases during the legislative session, especially if the increase is significant. CSBs cite this timing mismatch in waiver applications as another factor that limits local contributions.

Regional funding penalizes CSB hubs and fiscal agents

CSBs serving as regional hubs or fiscal agents are expected to match state funding intended to benefit their entire region using local funds from their own coverage area alone. Each of the five DBHDS regions has a regional hub that receives state funding to perform region-wide activities, such as dispatching mobile crisis response teams. When state funding flows to regional projects, it is included in the CSB hub's state allocation and match calculation, and the CSB is expected to provide 10 percent local match on the full regional amount using funds from the localities in its own coverage area.

DBHDS has indicated that because regional hubs are not recognized in the Code, the agency must include regional funds as state funds for purposes of calculating the local match requirement. This dynamic also affects any CSB serving as a fiscal agent for regional projects, even when they are not a formal hub. Any CSB administering regional funding experiences an increase in its match requirement while the local match is drawn exclusively from its own coverage area rather than being distributed across all localities in the region served.

Enforcement authority

Both DBHDS and CSBs have limited enforcement authority over localities that fall short of the match requirement. DBHDS has one enforcement mechanism available under statute: reducing the amount of state funding to CSBs that do not meet the 10 percent match. There are no recent instances of DBHDS exercising this authority. The agency has instead sent reminder letters about the statutory obligation—to CSBs last year and to localities this year.

CSBs are responsible for requesting funding from their local governments but they have no enforcement authority over those localities. They can request and advocate but cannot compel contributions at any particular level. This creates a situation in which CSBs bear responsibility for meeting a requirement that depends on decisions made by independent local governments over which they have no direct control.

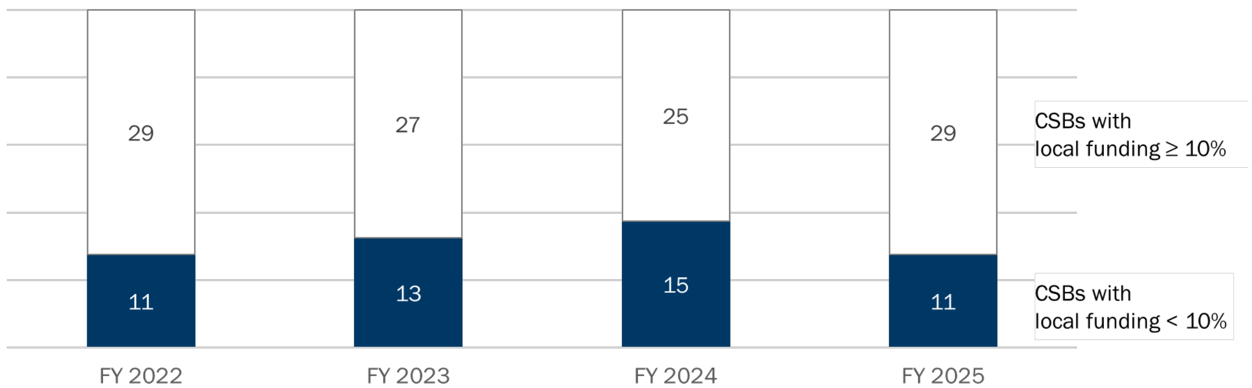
Structural considerations

The current matching requirement does not account for several factors that affect localities' ability to contribute. First, the 10 percent match applies uniformly across all localities regardless of variations in fiscal capacity or population density. A 2019 JLARC report on CSB funding suggested that incorporating some measure of ability to pay into the matching formula could address differences in local fiscal capacity, though any modification would require legislative action because the 10 percent match is established in statute. JLARC also noted that none of the other seven states it reviewed requires a local match for community behavioral health services.

Second, the requirement adjusts automatically with state funding levels, but local budget processes may not align with the timing of state funding changes. This affects some CSBs' ability to maintain the 10 percent threshold when state appropriations increase significantly.

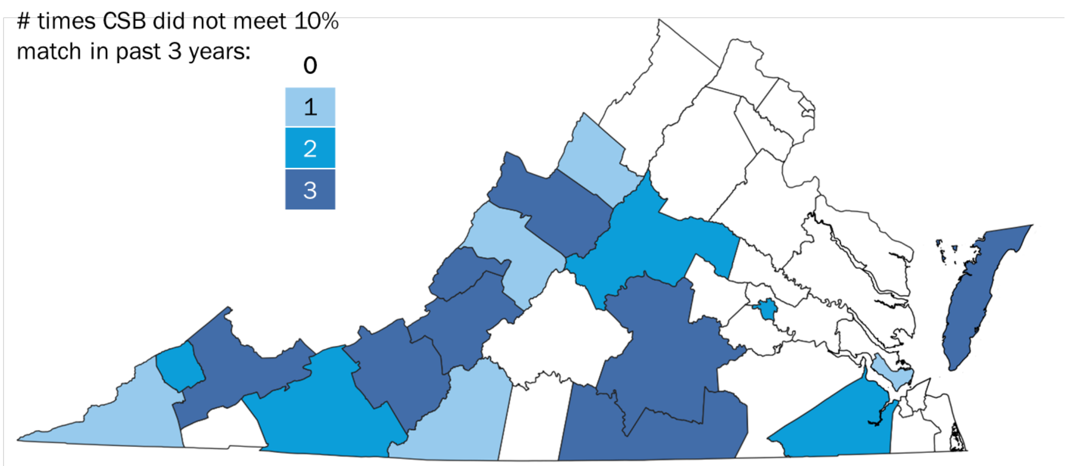
Third, regional funding is included as part of regular state funding for CSBs serving as regional hubs or fiscal agents. The required local match must therefore come from the localities in these CSBs' coverage areas alone rather than being distributed across localities within the entire region for which CSBs act as hubs or fiscal agents.

Figure 1
Since FY22, at least 11 CSBs have not met the local match requirement each year



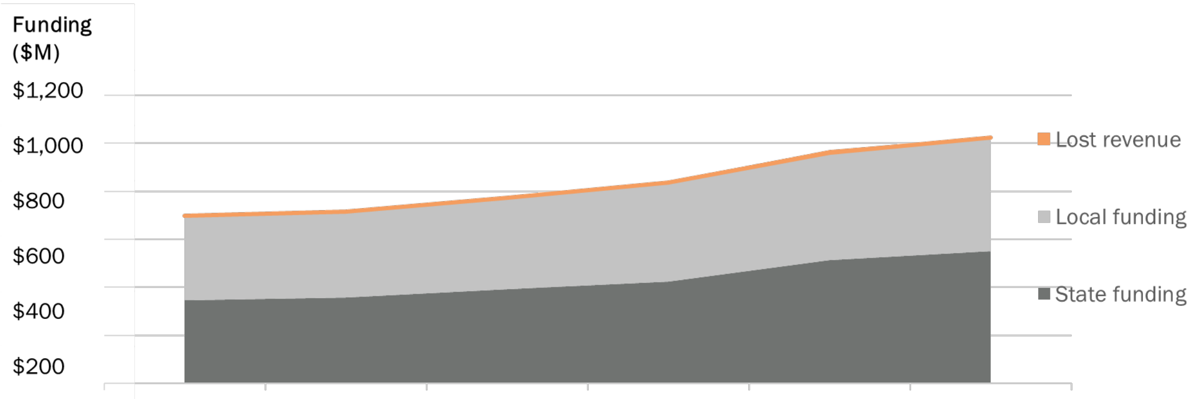
Source: BHC staff analysis of CSB budget data from DBHDS (FY22-FY25)

Figure 2
Core group of CSBs have consistently not met 10% match



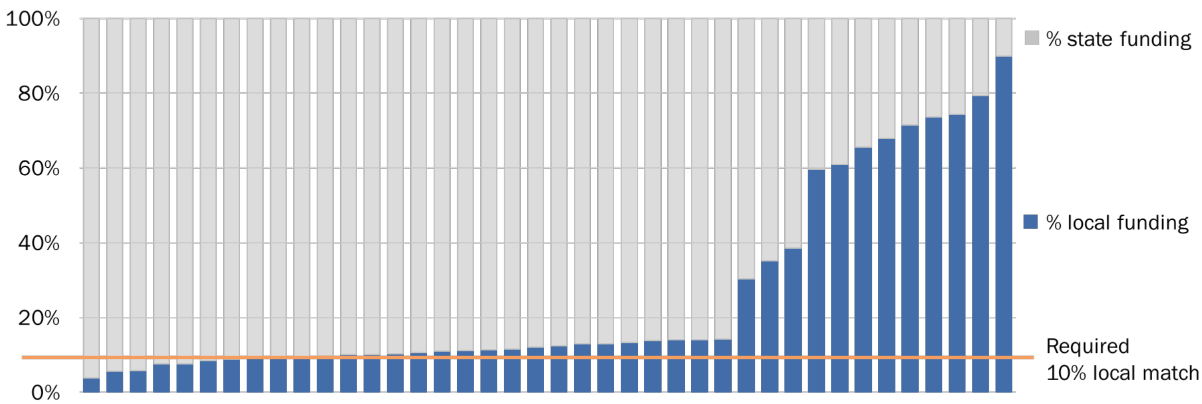
Source: BHC staff analysis of CSB budget data from DBHDS (FY23-FY25)

Figure 3
Lost revenue from local match represented 0.3% of total CSB funding in FY25



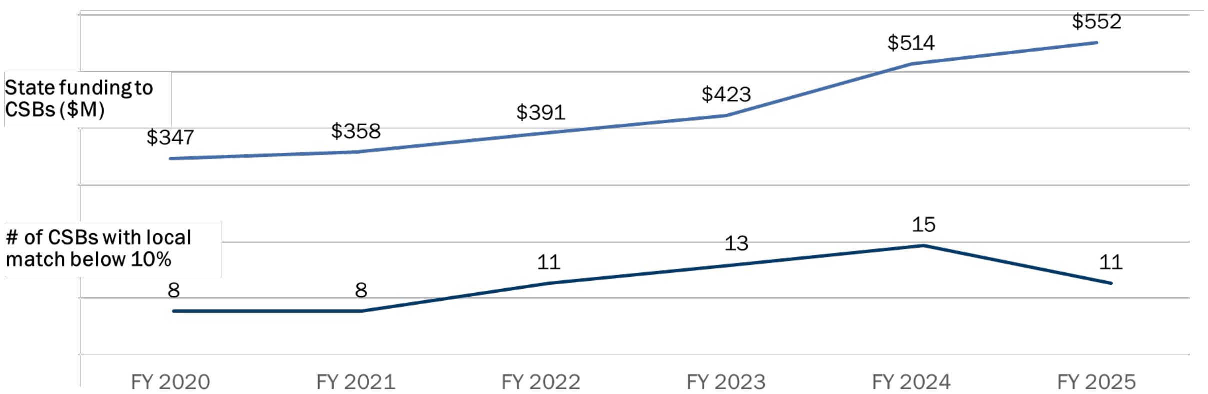
Source: BHC staff analysis of CSB budget data from DBHDS (FY20-FY25)

Figure 4
Local CSB funding varies substantially, but exceeded the required threshold for most CSBs in FY25



Source: BHC staff analysis of CSB budget data from DBHDS (FY25)

Figure 5
As state appropriations to CSBs have increased, more localities have struggled to match new funding



Source: BHC staff analysis of CSB budget data from DBHDS (FY20-FY25)