

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB1495

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Amundson

3. Committee Education

4. Title Education; funding for the state Standards of Quality.

5. Summary/Purpose: This bill provides that notwithstanding any other provision of law, the Commonwealth shall fund at least 55 percent of the total actual costs of public education. The Standards of Quality and the formulas used by the Commonwealth to distribute funds to localities to meet the Standards of Quality shall be reviewed and revised biennially to meet such requirement. Beginning with the budget for fiscal year 2005, the Governor shall include in his budget recommendations adequate funds to meet the requirements of this bill.

6. Fiscal Impact (See Comments 7.)

7. Budget amendment necessary : No, no fiscal impact until FY 2005.

8. Fiscal implications: To meet the 55 percent actual cost standard, it is estimated that an additional general fund appropriations of \$657 million would be needed in FY 2005. This estimated is derived using the following methodology.

Using the most recently available summary information from the Annual School Report (ASR), total operational expenditures by school divisions (excluding federal funds because only state and local revenues should be factored into the 55 percent calculation) were \$8.1 billion in 2000 -2001. Fifty -five percent of this amount is \$4.5 billion. Assuming a 2 percent inflation rate, the base amount of \$8.1 billion is inflated every year between 2002 and 2005 to derive a projected school division expenditure figure in each year. The 55 percent share is then calculated against these projected bases and compared against state appropriations contained in the latest budgets for FY 2002, FY 2003, and FY 2004. For FY 2005, budget growth of 2 percent over the FY 2004 amount is forecasted.

Since this bill introduces a standard that uses actual costs as the basis for the 55 percent calculation, a methodology would have to be determined as to how these actual costs would be appropriately measured. Currently, school divisions report ASR expenditure data after a fiscal year ends, which makes the determination of actual costs in a current fiscal year difficult to estimate. In addition, the bill does not specify whether past expenditures are specifically to be used in determining the 55 percent share.

The fiscal impact of this bill differs from that provided in the 2002 session. In the 2002 session, a fiscal impact of between \$200 to \$300 million was forecast for fiscal years 2002, 2003, and 2004. Current projections, based on 2000 - 2001 ASR data, forecast a funding need of \$657 million in FY 2005. During the 2002 session, 1999 - 2000 expenditure data were used as the bases for all calculations. For the 2003 session, 2000 - 2001 data were used, and a shift in the state/local expenditure ratio results in the increase in forecasted costs.

	Total Expended	Calculated State Share (55%)	State Expenditures/ Appropriations	Difference
2001	8,157,434,837	4,486,589,160	3,832,667,023	(653,922,137)
2002	8,320,583,534	4,576,320,944	3,938,992,518	(637,328,426)
2003*	8,486,995,204	4,667,847,362	3,993,844,546	(674,002,817)
2004*	8,656,735,109	4,761,204,310	4,116,744,880	(644,459,430)
2005**	8,829,869,811	4,856,428,396	4,199,079,777	(657,348,619)

9. Specific agency or political subdivisions affected: local school divisions, Department of Education

10. Technical amendment necessary: No.

11. Other comments: This bill is identical to legislation introduced during the 2002 session.

Date: 01/13/03/acd

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cc: Secretary of Education
Secretary of Finance