

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number HB393

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Amundson

3. Committee Education

4. Title Computation of composite index.

5. Summary/Purpose: This bill requires the General Assembly to modify the current Standards of Quality (SOQ) funding formula and calculation of composite index of local ability-to-pay to incorporate three-year rolling averages for the state and local real property, sales tax, income, population, average daily membership, and other components, as provided in the appropriation act.

6. Fiscal Impact: See Item 8

7. Budget amendment necessary: Yes. Items 144, 145, 146.

8. Fiscal implications: This bill has a fiscal impact of \$98.2 million in FY 2006 (state share). Costs in out years are unknown and depend on SOQ re-basing.

This bill computes the composite index based upon three-year rolling averages for state and local real property, sales tax, income, population, average daily membership, as provided in the Appropriation Act. The new formula would become effective in FY 2006. Please note the following adjustments to the cost estimate:

1. The bill does not specify whether the data used for the rolling average should be three consecutive years or three years of biennial data (i.e. data from odd-numbered years). For the purposes of this estimate, three years of biennial data are used since three years of consecutive data is not available at this time. The data are not available because the composite index is re-calculated every two years as part of the SOQ re-basing process. Therefore, there has not been a need to collect these data every year.
2. Per standards outlined in the Appropriation Act, there is an adjustment to the composite index related to nonresident Adjusted Gross Income (AGI). Each locality whose total Virginia AGI is comprised of at least a three percent or greater contribution from nonresidents may elect to exclude this nonresident AGI from the calculation of its index. For the rolling average calculation stipulated in this bill, it is not possible to make this calculation with nonresident AGI because not all of the same divisions have been in the three percent category for each of the years used to compute the average. Localities

affected by the three percent or greater nonresident AGI threshold will fluctuate over biennia. The effect on the composite index if these data were available is not known

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

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 01/28/04 / acd

Document: H\ bos\k12 legislation\2004 session\completed bills\HB393.doc.

cc: Secretary of Education
Secretary of Finance