

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB350

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

**2. Patron** Hamilton

**3. Committee:** Passed both houses

**4. Title** Transfer of real property held by Va. School for the Deaf, Blind, and Multi-Disabled in Hampton.

**5. Summary/Purpose:**

This bill authorizes the Department of General Services to enter into contracts for renovation and/or new construction of the School for the Deaf and Blind at Staunton. It also authorizes the Governor to convey all property of the School for the Deaf, Blind, and Multi-Disabled at Hampton to the New Horizons Regional Education Center. It also prescribes certain requirements that must be met before any of the transactions are finalized.

**6. Fiscal Impact:**

There are several areas of fiscal impact to be considered in this bill, some increasing potential costs to the Commonwealth, some decreasing costs:

*Costs to Renovate or provide new Construction at the School for the Deaf and Blind at Staunton*

The costs for action at the Staunton facility are indeterminate at this time. In 2005 PPEA proposals were received by the Department of General Services that placed the capital costs of an updated facility at Staunton in \$90 million range. Since these proposals were not acted upon, it is assumed that constructions costs have risen above this amount and cannot be determined.

Secondly, it is unknown at this time how many students, if any, may choose to move to the remaining school for the deaf and blind instead of the New Horizons program. There would need to be sufficient appropriations to cover any increases in attendance at the school because of this.

*Costs to the Commonwealth for closing the Hampton Facility*

1) If the Governor chooses to exercise this authority, there will likely be a significant financial impact to the Commonwealth. Currently, the City of Hampton assesses the value of this property at a total of \$4,922,800, as of 07/01/2005. The chart below shows the progression of the land value between 1999 and 2005:

**City of Hampton  
City Assessor's Office  
Sales and Assessments**

***700 Shell Road: School for the Deaf, Blind, and Multi-Disabled at Hampton***

<u>Assessment</u>			<u>Improvement</u>		
<u>Year</u>	<u>Land Value</u>	% Change	<u>Value</u>	% Change	<u>Total Value</u>
1999	\$ 1,984,800		\$1,444,200		\$3,429,000
2002	\$ 2,481,000	25.00%	\$1,444,200	0.00%	\$3,925,200
2003	\$ 2,555,400	3.00%	\$1,487,500	3.00%	\$4,042,900
2004	\$ 2,632,100	3.00%	\$1,532,100	3.00%	\$4,164,200
2005	\$ 3,435,300	30.52%	\$1,487,500	-2.91%	\$4,922,800

**Source: City of Hampton Virginia, City Assessor's Office, Visit Website:  
[http://198.252.241.11/realinfo/Sales\\_detail.asp?LRSN=1004270&Type=PIN](http://198.252.241.11/realinfo/Sales_detail.asp?LRSN=1004270&Type=PIN)**

If the property is given to the New Horizons Regional Education Center, the proceeds of a potential fair-market value sale of this land would be lost. In mid-2005 this value was set at \$4,922,800. Since 1999, the property has seen an uneven average increase of 10 percent per year. In addition to these tax records, during 2005 the Department of General Services conducted a market assessment of the land making similar assessments of value as the tax assessor in Hampton. These values do not necessarily reflect fair-market value of the property.

**Potential Lost Revenue from  
Sale of Property**

<u>Year</u>	<u>Value</u>	
2005	\$4,922,800	(assessed tax value)
2006	\$5,398,835	
2007	\$5,920,902	
2008	\$6,493,453	
2009	\$7,121,370	
2010	\$7,810,007	

2) Additional costs to the Commonwealth would also include reduction in workforce transition costs, transfer, storage or surplus of the school's equipment, and likely a state appropriation to the localities served by the school to ensure that the educational needs of the displaced students do not go unmet. At this time it is not possible to determine full costs of these factors:

It is assumed that New Horizons will provide at least a day program for those students displaced by the closure of the school. Given this, it is likely a number of staff and faculty from VSDBMH will be employed by New Horizons. However, whether or not they are employed, they will still be eligible to receive full Workforce Transition Act (WTA) benefits. This impact statement assumes that all employees at the school are fully vested, will lose their jobs, and will be eligible for the maximum benefit available. Assuming an average salary of \$32,000 per year, the cost to release 108 employees is up to \$4,036,608.

Next, it is estimated that it will cost approximately \$500,000 to transfer Hampton's furnishings for residential facilities and classroom equipment to the Staunton facility. To put the value of the equipment into perspective, the value of specialized learning-aid at Hampton is estimated to be at least \$640,000. This does not include furnishings and other equipment at the school. A study is currently underway on the actual value but will not be available until later in 2006. It will need to be determined if this equipment remains with the state, will be conveyed with the property, or will be put into surplus.

Finally, additional appropriations to the effected localities will be needed to absorb the responsibility of teaching the displaced students. These funds would be distributed determined through Department of Education formulas via the Appropriations Act and the § 22.1-26 Code of Virginia. The additional funding to the Boards of Education cannot be determined at this time.

### Benefits to the Commonwealth

1) Assuming the close of the school, at least \$6.6 million in operating expenses would be eliminated by the Commonwealth. This funding could be used to enhance blind, deaf and multi-disabled education elsewhere in the state or absorbed into other state programs or agencies.

2) At least \$1.7 million in identified statewide maintenance reserve needs would be reduced. Currently, the school has plans to make essential repairs and upgrade vital systems that fall within maintenance reserve definitions. Any funds dedicated to maintenance reserve could be returned to the state (currently proposed for fiscal 2007 and 2008, \$600,000 total).

**7. Budget amendment necessary:** No. Implementation of this bill is based upon the direction and funding provided to the Department of General Services in the Appropriations Act. To fully implement this bill, provisions in the appropriations act must deal with the transfer/elimination of operating appropriations of the school to a yet unidentified recipient. This transfer would need to occur at the same time the conveyance occurs or language would need to be written in the Appropriations Act prior to the transfer to define what happens to the funding after the school closes. Additionally, funding increases will likely need to be made to those localities from where the displaced students originate so the localities may assume responsibility for their education. Also, the remaining school would require additional appropriations for any students that it absorbs from the closing of VSDBMH.

**8. Fiscal implications:** See number 6

**9. Specific agency or political subdivisions affected:** Virginia School for the Deaf, Blind and Multi-Disabled at Hampton, Virginia School for the Deaf and Blind at Staunton, Department of General Services, Department of Education, Direct Aid to Public Education, Office of Attorney General, Governor's Office.

**10. Technical amendment necessary:** Yes. There is at least one potential issue regarding language in the Code of Virginia and the transfer of the property to New Horizons. By law (§ 22.1-26, Code of Virginia), a regional organization, like the New Horizons Regional Education Center, cannot hold title to the property. It would need to be conveyed, jointly, to each of the localities that make up the New Horizons Regional Educational Center regional school. The language of bill may be amended easily to reflect this.

**11. Other comments:** When the transfer is made, changes to Code of Virginia eliminating the School for Deaf, Blind, and Multi-Disabled at Hampton will be necessary. Also, consideration may need to be given to § 22.1-346, Code of Virginia. This section states that the Board of Education (Board) is given the authority to operate and otherwise regulate and govern the schools. The potential exists for a conflict between the Board and the authority granted in the bill.

**Date:** 03/22/06 / jih

**Document:** G:\General Assembly\06FIS\HB350—Hampton\HB350ER.doc

cc: Secretary of Education  
Secretary of Finance