

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB878

House of Origin      X      Introduced                  Substitute                  Engrossed  
Second House                 In Committee              Substitute                  Enrolled

**2. Patron:** Plum

**3. Committee:** Appropriations

**4. Title:** Expenditures and reports on instructional spending.

**5. Summary:** Requires each local school board to allocate 65 percent of its operating budget to instructional spending. Local school boards must report annually to the Board of Education the percentage of their operating budgets allocated to instructional spending. Any school division that fails to meet the 65 percent requirement must present a plan to the Board of Education to increase instructional spending by 0.5 percent in the following fiscal year. School divisions failing to submit such a plan must be audited by the Auditor of Public Accounts, who is required to submit recommendations to the Board, including instruction concerning how failing school divisions can increase their instructional spending to 65 percent. In addition, the Board must annually report to the Senate Committee on Finance and the House Committee on Appropriations the amount of spending allocated by the local school divisions to instructional spending based on the reports submitted annually by the local school boards.

**6. Fiscal Impact Estimates:** See item 8

**7. Budget Amendment Necessary:** Indeterminate

**8. Fiscal Implications:** This legislation establishes the requirement that any local school board must allocate no less than 65 percent of its operating budget to instructional spending. This requirement will not result in any additional cost to the state; however, it could constrict the ability of school divisions to allocate money based on the specific needs of the division. Funding receiving by school divisions from state and federal sources are often already designated for certain purposes.

In addition, this legislation requires that each school division report to the Board of Education annually the percentage of its operating budget allocated to instructional spending. Any school board that reports such spending at less than 65 percent of its operating budget will be required to present a plan to the Board of Education to increase such expenditures by 0.5 percent in the subsequent year. Any school board that fails to submit a plan under such provisions will be subject to an audit by the Auditor of Public Accounts pursuant to § 15.2-2511. At this time, it is not possible to reliably estimate the additional cost to the Auditor of Public Accounts to perform such audits because it is not known how many school divisions will fail to submit a plan.

Finally, this legislation requires the Auditor of Public Accounts, upon completion of such audit, to make recommendations to the Board of Education on how school divisions not meeting the 65 percent requirement can increase their instructional spending to 65 percent in the following fiscal year. The cost associated with developing such recommendations is unknown at this time because the number of school divisions impacted and magnitude of each shortfall is unknown at this time.

**9. Specific Agency or Political Subdivisions Affected:** Board of Education, local school divisions.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This bill is similar to HB60.

**Date:** 1/15/2008 dpb

**Document:** G:\Dape-197\2008session\Fis\Hb878.Doc Mike Barton

cc: Secretary of Education