

## Department of Planning and Budget 2012 Fiscal Impact Statement

**1. Bill Number:** HB873

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:** Rust

**3. Committee:** Appropriations

**4. Title:** Direct Aid to Public Education.

**5. Summary:** Amends future Direct Aid to Public Education Distribution by lowering the maximum Composite Index.

**6. Budget Amendment Necessary:** No. The provisions of this legislation that have a fiscal impact will not go into effect until the 2014-2016 biennium so there is no budget amendment necessary for the 2012-2014 biennium.

**7. Fiscal Impact Estimates:** Preliminary. See item 8.

**8. Fiscal Implications:** This legislation requires the Governor and General Assembly to develop and implement a plan to incrementally lower the maximum composite index value from 0.8000 to 0.5000 within 10 years. Beginning with the 2014-2016 biennium, the plan would reduce the cap by at least 0.05 in each biennial budget so that the maximum composite index for the 2024-2026 biennium would be 0.5000.

The legislation also states that at no time shall the minimum composite index of 0.2000 be raised. There is currently no such minimum threshold for composite index values. Therefore, the estimates presented below assume that this legislation is establishing a new minimum value so it has been incorporated into the calculations. However, this change to the methodology does not significantly alter the overall costs estimates presented below that also incorporate the phased reduction of the maximum composite index value.

Two separate approaches were used to measure both the initial and final fiscal impact of this legislation. First, an estimate of the fiscal impact resulting from the first reduction to 0.7500 in the 2014-2016 biennium was calculated using the Governor's introduced budget for the 2012-2014 biennium (House Bill 30) as the base. Only the composite index values for divisions that were greater than 0.7500 in House Bill 30 were adjusted down to 0.7500 and those divisions that had composite index values below 0.2000 were set at 0.2000. These actions resulted in an estimated state share of cost of approximately \$14.6 million in fiscal year 2013 and \$14.9 million in fiscal year 2014.

The second approach also used House Bill 30 as the base and adjusted the composite index values for all divisions that were greater than 0.5000 down to 0.5000. This approach also established a minimum composite index value of 0.2000 and adjusted the applicable divisions accordingly. These actions resulted in an estimated state share of cost of approximately \$357.2 million in fiscal year 2013 and \$363.0 million in fiscal year 2014. Again, this impact would not be fully realized until the 2024-2026 biennium but this estimate is intended to provide a measure of magnitude for the ultimate implications of this legislation.

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

**10. Technical Amendment Necessary:** Yes. The legislation implies that there is currently a minimum composite index of 0.2000. For the 2012-2014 biennium, three divisions have composite index values that are lower than 0.2000. This language should be removed from the legislation unless the intent is to establish a new minimum composite index that is not part of the existing methodology.

**11. Other Comments:** None.

**Date:** 1/24/12

**Document:** H:\EDUCATION\K-12\General Assembly\2012\FIS for Introduced Bills

c: Emily Webb