

Department of Planning and Budget

2018 Fiscal Impact Statement

1. Bill Number: HB423

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: Gooditis

3. Committee: Appropriations

4. Title: Composite index of local ability-to-pay; use value of real estate in certain localities.

5. Summary: Requires, for the purpose of determining the state and local shares of basic aid funding, that the composite index of local ability-to-pay utilize the use value of all applicable real estate (i) devoted to agricultural use, horticultural use, forest use, and open-space use in each locality that has adopted an ordinance by which it provides for the use valuation and taxation of such real estate and (ii) used in agricultural and forestal production within an agricultural district, forestal district, agricultural and forestal district, or agricultural and forestal district of local significance in each locality that provides for the use valuation and taxation of such real estate, regardless of whether it has adopted a local land-use plan or local ordinance for such valuation and taxation.

6. Budget Amendment Necessary: Yes, Item 136.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: The appropriation act outlines the calculation of the composite index of local ability-to-pay (local composite index). To make changes to the local composite index formula, a corresponding budget amendment would be necessary.

The existing local composite index formula uses three indicators of a locality's ability-to-pay: true value of real estate, adjusted gross income, and taxable retail sales. This bill would replace the true value of real estate with the use values of all applicable real estate (i) devoted to agricultural use, horticultural use, forest use, and open-space use in each locality that has adopted an ordinance by which it provides for the use valuation and taxation of such real estate and (ii) used in agricultural and forestal production within an agricultural district, forestal district, agricultural and forestal district, or agricultural and forestal district of local significance in each locality that provides for the use valuation and taxation of such real estate, regardless of whether it has adopted a local land-use plan or local ordinance for such valuation and taxation

Based on data provided by the Department of Taxation, the Department of Education (DOE) calculates an additional state cost of \$6.8 million in FY 2019 and \$7.3 million in FY 2020 to replace the true value of real estate with the use value of all applicable real estate. This net increase in state cost reflects an increase in state funding to counties of \$22.4 million in FY 2019 and \$23.0 million in FY 2020, while cities realize a reduction in state funding of \$15.6 million in FY 2019 and \$15.7 million in FY 2020.

9. Specific Agency or Political Subdivisions Affected: Department of Education, Department of Taxation, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: None