

## Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** HB670

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

2. **Patron:** Kilgore

3. **Committee:** Appropriations

4. **Title:** Required local match for basic aid; debt service on projects in certain school divisions.

5. **Summary:** Permits any local school board that governs a school division (i) in which the locality is designated as fiscally at-risk or fiscally distressed by the Appalachian Regional Commission in the most recent fiscal year or is determined to have above-average fiscal stress or high fiscal stress by the Virginia Commission on Local Government in its most recent "Report on the Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia Counties and Cities" and (ii) for which the composite index of local ability to pay is less than or equal to 0.2000 to expend up to 25 percent of the required local match for basic aid for debt service on school building capital renovation or construction projects. The bill provides that in the event that the school division no longer meets such criteria, the local school board shall develop and implement a plan to readjust expenditures of the required local match for basic aid over the course of no more than 10 fiscal years. The bill also provides that in the event that a school division that no longer met such criteria and that developed such plan subsequently meets the criteria again, the local school board may seek the approval of the Superintendent of Public Instruction to amend such plan.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** Indeterminate. See Item 8.

8. **Fiscal Implications:** There is no anticipated state fiscal impact under Direct Aid to Public Education because this bill does not alter how state funding is calculated for or distributed to local school divisions. However, there is a potential state cost to the Department of Education to review, approve, and/or monitor the local school division plan required by subsections B and C of this bill. Any actual fiscal impact is indeterminate.

This bill would allow certain local school divisions to expend up to 25 percent of the required local effort for basic aid on debt service for school building capital renovation or construction projects. The purpose of required local effort is to ensure that each school division has sufficient local operational expenditures to support its local share of the cost of the Standards of Quality. The Standards of Quality are the minimum requirements that must be met by all

Virginia public schools and school divisions. This bill could reduce the amount of local funds supporting classroom instruction and other school operations required by the Standards of Quality.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Education, local school divisions
- 10. Technical Amendment Necessary:** It is recommended to replace the phrase “required local match” with the phrase “required local effort” on lines 12 and 19 of this bill. Required local effort is the amount of local funds that a locality must expend to support the local share of the cost of the Standards of Quality (SOQ). Required local match is the amount of local funds that a locality must expend to support the local share of non-SOQ programs in which the local school divisions elects to participate. Funds used to meet required local match are local operational expenditures that are above those used to meet required local effort on the SOQs. Since this bill references the local portion of funds that supports basic aid, it is more appropriate for the bill to use the phrase “required local effort”.
- 11. Other Comments:** One of the eligibility requirements established by this bill is a locality’s designation in the Virginia Commission on Local Government’s report on the “Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia Counties and Cities”. This report currently is not legislatively mandated, but the provisions of this bill, in effect, could mandate this report.