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SENATE JOINT RESOLUTION NO. 481**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on Rules
on February 22, 1999)

(Patron Prior to Substitute—Senator Hanger)

Directing the Senate Committee on Finance, the Senate Committee on Education and Health, the House Committee on Appropriations, and the House Committee on Education to examine the efficacy and appropriateness of adjusting Standards of Quality funding for certain small school divisions.

WHEREAS, under Article VIII, § 1 of the Virginia Constitution, ultimate responsibility for public education rests with the General Assembly, which is specifically charged with the duties of not only establishing a public school system but also striving to ensure its quality; and

WHEREAS, the Standards of Quality (SOQ), prescribed by the Board of Education and revised by the General Assembly, establish minimum educational goals and requirements, and localities may, and often do, surpass these Standards; and

WHEREAS, recognizing that fiscal authority must bolster the Commonwealth's renewed commitment to quality education, the framers of the 1971 Constitution clarified that the legislative branch must not only revise the SOQ prescribed by the Board, but also determine the method of financing public education, and agreed that while the General Assembly would apportion costs, responsibility for funding public schools would be shared with localities; and

WHEREAS, to meet this constitutional directive, the General Assembly has crafted a complex methodology for the apportionment of the state and local share for the Standards of Quality; and

WHEREAS, the product of countless studies and deliberations, Virginia's method for apportioning state and local fiscal responsibility for SOQ programs has evolved over the years to recognize the actual costs of education as well as local fiscal capacity; and

WHEREAS, simply described, the Commonwealth's funding plan for SOQ programs requires the calculation of SOQ costs, based on a per pupil cost and average daily membership, an amount to which a weighted formula—the Composite Index of Local Ability to Pay—is applied to determine local ability to pay for these mandated programs as well as the Commonwealth's appropriate contribution for each locality; and

WHEREAS, created in 1974, the Composite Index of Local Ability to Pay compares three local measures of wealth—real property values, adjusted gross income, and local option sales taxes—to statewide averages and adjusts these indicators by student population and total population; and

WHEREAS, the Composite Index of Local Ability to Pay is sometimes criticized because it does not reflect variations among local revenue sources or local needs for services; and

WHEREAS, the appropriation act sets a composite index of 0.8000 as the maximum index that will be used to compute local shares, thereby guaranteeing a minimum state contribution of 20 percent in those localities with a high fiscal capacity; and

WHEREAS, the appropriation act has also included other special conditions, such as the designation of Planning District Eight, for certain cost adjustments to reflect competitive salary levels, provisions for the annexation or consolidation of school divisions, and the option of localities whose local adjusted gross income is comprised of at least three percent nonresident income to exclude this income for purposes of computing local ability to pay; and

WHEREAS, the 1998 Session considered, but did not pass, legislation allowing any locality or localities comprising a school division that has a population of less than 5,000 and less than 1,000 students in average daily membership to elect, as their option, to use the average Composite Index of Local Ability to Pay of contiguous localities comprising all or part of a school division; and

WHEREAS, the 1998 Appropriation Act included additional state payments from the general fund as Small School Division Assistance Grants for two school divisions; and

WHEREAS, any adjustment of the Composite Index necessitates careful examination of a plethora of educational, financial, legal, and policy issues; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Senate Committee on Finance, the Senate Committee on Education and Health, the House Committee on Appropriations, and the House Committee on Education be directed to examine the efficacy and appropriateness of adjusting Standards of Quality funding for certain small school divisions. In conducting the study, the Committees shall consider, among other things, current statutory, constitutional, and budget provisions governing the calculation of SOQ costs and funding; current adjustments for SOQ funding; school funding formulas in other states; and such other issues as the Committees deem appropriate.

The staffs of the Senate Committee on Finance, the House Committee on Appropriations, and the Division of Legislative Services shall provide staff support for the study. Technical assistance shall be

60 provided by the Department of Education. All agencies of the Commonwealth shall provide assistance to
61 the Committees, upon request.

62 The Committees shall complete their work in time to submit their findings and recommendations to
63 the Governor and the 2000 Session of the General Assembly as provided in the procedures of the
64 Division of Legislative Automated Systems for the processing of legislative documents.

65 Implementation of this resolution is subject to subsequent approval and certification by the Joint
66 Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the
67 study.