

**Department of Planning and Budget
2007 Fiscal Impact Statement**

1. Bill Number HB2278

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Watts

3. Committee Education

4. Title Education; Computation of composite index.

5. Summary/Purpose: Codifies the current Standards of Quality (SOQ) funding formula and calculation of composite index of local ability-to-pay, and modifies the formula that determines each locality's ability to pay for its share of providing an educational program meeting the prescribed SOQ to (i) incorporate tax values and population estimates for the fiscal year ending one year prior to the fiscal biennium in which the distribution takes place; (ii) provide for a population density adjustment in certain localities; and (iii) incorporate median, rather than average, adjusted gross income.

6. Fiscal Impact Estimates are: See Item 8.

7. Budget amendment necessary: Yes, Item 135.

8. Fiscal implications: The Department of Education (DOE) estimates that this legislation would generate a savings to the Commonwealth in the amount of \$33.0 million for FY 2008. This estimate assumes that the proposed changes would not be effective until July 1, 2007.

In addition, this estimate does not include the impact of the provisions of this legislation listed in item (i) of the bill. This section requires that the SOQ “incorporate tax values and population estimates for the fiscal year ending on year prior to the fiscal biennium in which the distribution takes place.” DOE does not have this data and it would be infeasible to make it available annually to be used in the calculation of local ability-to-pay.

It is also important to note that some of the data used in this calculation is not current. The population density figure referenced in item (ii) in the summary, “provide for a population density adjustment in certain localities,” is from the JLARC Review on Elementary and Secondary School Funding report in February 2002, and has not been updated since that report was written. The medial adjusted gross income data referenced in item (iii) of the summary, “incorporate median, rather than average, adjusted gross income,” is from 2003.

9. Specific agency or political subdivisions affected: Direct Aid to Public Education, local school divisions.

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/22/07 / SHD

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