

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2654

House of Origin	<u>X</u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Rust

3. Committee: Appropriations

4. Title: Direct Aid to Public Education

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

6. Fiscal Impact Estimates: Indeterminate. See item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: This legislation requires the General Assembly and the Governor to develop and implement a plan to lower the Composite Index cap used to calculate the state and local funding shares for public education. Starting with 2010-2012 biennial budget, the Composite Index is to be lowered from 0.80 to 0.50 with a declining value over the next 10 years.

The Composite Index measures a locality's ability to fund public education. The methodology uses variables such as gross sales in the locality, total adjusted gross income of the residents of the locality, local real property values, enrollment data and population estimates to determine a locality's ability to financially support public education. Currently, no locality is responsible for more than 80 percent of the total required cost of public education.

A true fiscal impact cannot be determined, since the data needed to determine the Composite Index for the out years are not available at this time. However, based on the Governor's introduced budget, the Department of Education has estimated that it would cost the Commonwealth \$500 million annually, if the cap was lowered from .80 to 0.50 using FY 2010 appropriations.

This legislation also stipulates that at no time shall the minimum Composite Index of 0.20 be raised. However, the bill does not allow for the establishment of a 0.20 minimum. The current use of the Composite Index does not utilize a floor. The lowest recognized Composite Index of any locality for the 2008-2010 biennium is 0.1552.

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

10. Technical Amendment Necessary: Yes. If the minimum of 0.20 is not to be raised, the bill should include language to establish the minimum. This would result in a loss of state funds for any locality with a composite index below 0.2000.

11. Other Comments: None.

Date: 2/3/2009 dpbsbj

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