

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB1156

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|------------------------|--|-------------------------------------|------------------------------------|
| 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: Watts

3. Committee: Appropriations

4. Title: Division-wide ratios of students in average daily membership to full-time equivalent teaching positions.

5. Summary: School boards are required to assign licensed instructional personnel in such a manner that, on a division-wide basis, they match state ratios of students in average daily membership to full-time equivalent teaching positions. Class size ratios are specified in the Code of Virginia for each grade in elementary and secondary schools. The proposed legislation would reduce the authorized division-wide maximum class size in kindergarten and grades one, two, and three by reducing the respective student-to-teacher ratios, as well as the maximum class size cap.

6. Budget Amendment Necessary: Yes, Item 136.

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

8. Fiscal Implications: The Constitution of Virginia requires the establishment of standards of quality for public education. These standards are set in statute and include pupil-to-teacher staffing ratios in public schools for the Standards of Quality (SOQ). A reduction in the class size standards necessitates an increase in state and local funding to school divisions. State funding to school divisions would increase by approximately \$99.9 million in FY 2015 and \$100.6 million in FY 2016. The increase in the out years will vary based on the rebenchmarking of the Standards of Quality for the 2016-2018 biennium. The additional general fund support required for K-12 education could impact the availability of general fund appropriation for other state agencies.

The increase from the change in class size standards shown above is higher than the actual impact; however, since the proposed change also reduces the amount of state funding needed to support the class sizes supported by the K-3 Primary Class Size Reduction Incentive program. State funding for the K-3 Primary Class Size Reduction Incentive program would decrease from the amounts included in the introduced budget by approximately \$45.0 million in FY 2015 and \$45.1 million in FY 2016. Therefore, the net state cost from the proposed legislation is estimated to be \$54.9 million in FY 2015 and \$55.5 million in FY 2016. There

will also be a net increase in local costs that will vary by school division based on the composite index of each locality.

9. Specific Agency or Political Subdivisions Affected: Department of Education, local school divisions, agencies receiving general fund support

10. Technical Amendment Necessary: None.

11. Other Comments: None.

Date: 1/27/2014 dpb/smc

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