

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** SB1471

<b>House of Origin</b>	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
<b>Second House</b>	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Hanger

**3. Committee:** Finance

**4. Title:** Education; computation of composite index; land-use assessment value.

**5. Summary:** Requires the General Assembly to modify the current standards of quality funding formula and the calculation of composite index of local ability to pay to incorporate within the real estate indicator of local wealth the land-use assessment value for those properties located within a land-use plan.

**6. Budget Amendment Necessary:** Yes, Item 136.

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

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	\$2.6 million	0	General Fund

**8. Fiscal Implications:** The appropriation act outlines the calculation of the composite index of local ability-to-pay (local composite index). To make changes to the local composite index formula, a corresponding budget amendment would be necessary.

The existing local composite index formula uses three indicators of a locality's ability-to-pay: true value of real estate, adjusted gross income, and taxable retail sales. This bill would incorporate the land-use assessment value for those properties within a land-use plan into the formula's real-estate component.

Based on data provided by the Department of Taxation, the Department of Education calculates an additional state cost of \$2.6 million in FY 2020 to incorporate the land-use assessment value for those properties within a land-use plan into the local composite index formula's real-estate component. This net increase in state cost reflects an increase in state funding to counties of \$10.2 million in FY 2020, while cities and towns would realize a reduction in state funding of \$7.6 million in FY 2020. Any state cost in outgoing fiscal years is indeterminate and would be based on the Direct Aid to Public Education budget as rebenchmarked for future biennia.

**9. Specific Agency or Political Subdivisions Affected:** Department of Education, Department of Taxation, local school divisions

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None