

Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** SB537

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Hanger

3. **Committee:** Education and Health

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 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.

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 \$2.2 million in FY 2019 and \$2.3 million in FY 2020. This net increase in state cost reflects an increase in state funding to counties of \$9.5 million in FY 2019 and \$9.6 million in FY 2020, while cities and towns realize a reduction in state funding of \$7.2 million in FY 2019 and \$7.3 million in FY 2020.

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

10. **Technical Amendment Necessary:** No

11. **Other Comments:** This bill is similar to HB423.