

**Department of Planning and Budget**  
**2025 General Assembly Session**  
**State Fiscal Impact Statement**

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ORIGINAL

**Bill Number:** HB2164 **Patron:** Cole  
**Bill Title:** Public school funding; certain funding calculations.

**Bill Summary:** Requires the Department of Education to calculate the composite index of local ability-to-pay for each school division by excluding the true value of real property that is eligible for certain disabled veteran and surviving spouse property tax exemptions in the locality.

**Budget Amendment Necessary:** Yes **Items Impacted:** 125

**Explanation:** This bill makes a change to the calculation of the composite index of local ability- to-pay which is completed once biennially during the rebenchmarking process, therefore no additional funding would be required this biennium. The calculation of the local composite index is directed in budget language, therefore a language amendment would be necessary. Any future impact or impact to local school divisions is indeterminate.

**Fiscal Summary:** See below.

**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
197 (Direct Aid)	\$0	\$0	indeterminate	indeterminate	indeterminate	indeterminate
<b>TOTAL</b>	<b>\$)</b>	<b>\$0</b>	<b>indeterminate</b>	<b>indeterminate</b>	<b>indeterminate</b>	<b>indeterminate</b>

**Fiscal Analysis:** This bill makes a change to the calculation of the composite index of local ability- to-pay which is completed once biennially during the rebenchmarking process. If passed in the 2025 session, this bill would have an effective date of July 1, 2025, and the earliest that any requirements related to rebenchmarking calculations could be implemented is during the 2025 rebenchmarking process for the 2026-2028 biennium. A budget language amendment would be required in Item 125 to the amend existing language directing the calculation of the local composite index to include the exemption required by this bill. At this time any costs to implement rebenchmarking calculations for the 2026-2028 biennium and future biennia are indeterminate.

The calculation of true value of real property is performed by the Department of Taxation (Tax). Tax currently has records of foregone revenues due to personal exemptions, but does not have true value data related to these properties. Tax does not expect any fiscal impact to perform these update the true value calculation, but at this time, it is not possible to estimate the effect of this bill if implemented in FY26.

The local composite index is a relative index, which means that an increase in the calculated value of one school division will generate a decrease to the calculated values of all other school divisions. Given the relative nature, it is likely that there would be limited state fiscal impact in future biennia. However, individual local

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school divisions may experience changes in their local composite index based on the value of personal exemptions across all localities. Any actual impact to local school divisions is indeterminate.

**Other:** None.