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

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**Bill Number:** SB1149 **Patron:** French

**Bill Title:** Public school funding; composite index of local ability-to-pay; use value of real estate

devoted to certain uses.

**Bill Summary:** Requires, for the purpose of determining the state and local shares of basic aid funding, that the composite index of local ability-to-pay utilize the use value of all applicable real estate (i) devoted to agricultural use, horticultural use, forest use, and open-space use in each locality that has adopted an ordinance by which it provides for the use valuation and taxation of such real estate and (ii) used in agricultural and forestal production within an agricultural district, forestal district, agricultural and forestal district, or agricultural and forestal district of local significance in each locality that provides for the use valuation and taxation of such real estate, regardless of whether it has adopted a local land-use plan or local ordinance for such valuation and taxation.

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

**Explanation:** The calculation of the local composite index is directed in budget language, therefore a

budget language amendment would be necessary to implement the provisions of this bill. If implemented in FY26, additional state funding would be required under Direct Aid to Public Education. The impact to local school divisions varies based on each division's recalculated

local composite index.

**Fiscal Summary:** The Department of Education estimates that if implemented in FY26 there would be an additional state cost under Direct Aid to Public Education of \$139.5 million general fund. Any impact in future years is indeterminate.

## **General Fund Expenditure Impact:**

<u>Agency</u>	FY2025	<u>FY2026</u>	FY2027	<u>FY2028</u>	<u>FY2029</u>	FY2030
197 (Direct Aid)	\$0	\$139,500,000	indeterminate	indeterminate	indeterminate	indeterminate
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TOTAL	\$0	\$139,500,000	indeterminate	indeterminate	indeterminate	indeterminate

**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 amend the existing language directing the calculation of the local composite index.

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As currently prescribed in budget language, the Department of Education (DOE) calculates the local composite index using three indicators of a locality's ability to pay: 1) true value of real property, 2) adjusted gross income, and 3) taxable retail sales. The bill requires DOE to calculate the local composite index utilizing the use value of all applicable real estate. This fiscal impact estimate replaces the total true value of property with the fair market value of taxable land.

If DOE were directed in budget language to update the calculation of local composite index in FY26 per the requirements of this bill, they estimate an additional state cost under Direct Aid to Public Education of \$139.5 million general fund. Any impact in future years is indeterminate and would depend on the Direct Aid to Public Education budget as rebenchmarked for future biennia.

Individual local school divisions may experience a change in their local composite index based on the updated calculations, and therefore may experience a change in the amount of state funding provided through Direct Aid to Public Education.

The change to local composite index calculations will impact divisions' local effort and local match requirements since a division's composite index determines the split between state and local responsibility for education costs. Local school divisions would have to provide the local share required to match any additional state funds received based on each division's updated local composite index. The actual fiscal impact to local school divisions in future biennia is indeterminate at this time.

**Other:** The impact estimated here assumes that the intent of the bill is to replace the true value of property data in the calculation of the local composite index with use value of property data. If the intent is to utilize both the use value and the true value, then DOE would require additional direction on how to implement those calculations.