

**Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB753

Patron: Runion

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 FY27 and FY28, there would be a state savings 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 FY27 there would be a state savings under Direct Aid to Public Education of \$1.7 million general fund in FY27 and \$1.9 million general fund in FY28. Any impact in future years is indeterminate.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
197 (Direct Aid)	\$0	(\$1.7M)	(\$1.9M)	indeterminate	indeterminate	indeterminate
TOTAL	\$0	(\$1.7M)	(\$1.9M)	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 2026 session, this bill would have an effective date of July 1, 2026, and the earliest that any requirements related to rebenchmarking calculations could be implemented is during the 2027 rebenchmarking process for the 2028-2030 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 for the 2026-2028 Biennium per the requirements of this bill, they estimate a state savings under Direct Aid to Public Education of \$1.7 million general fund in FY27 and \$1.9 million general fund in FY28. 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.