



FY 2023 Recommended Budget Budget Question

Board Question #: 26

BUDGET QUESTION: Board members have heard from constituents that the State recommends that each County/City allocates at least 50% of its budget to the school division. Is that correct?

RESPONDING DEPARTMENT/OFFICE: Budget & Grants

RESPONSE: Staff is not aware of a recommendation from the State in this regard.

State law (§22.1-94) requires that appropriations made by the governing body to the school board “shall be not less than the cost apportioned to the governing body for maintaining an educational program meeting the standards of quality” and the “amount appropriated by the governing body for public schools shall relate to its total only or to such major classifications prescribed by” the State. Each fiscal year, the Virginia Department of Education (VDOE) releases a budget tool showing each locality’s required local share of standards of quality (SOQ) and other program costs. Each locality’s share is largely driven by the Local Composite Index (LCI). The LCI is updated every other year by VDOE and is considered an indicator of a locality’s ability to pay for education. The LCI has a two-thirds index of wealth per pupil component and a one-third index of wealth per capita component. Once those components are calculated, they are summed and each locality’s index is then adjusted to maintain an overall statewide local share of 45% and an overall State share of 55% of the index itself. (The Composite Index formula is attached. Note the application of the 0.45 factor at the bottom of the page.)

The 45% factor within the calculation of the LCI is not equivalent to a recommendation from the State for each County/City to allocate at least 45% of its budget to the school division.

ESTIMATE OF STAFF TIME SPENT ON RESPONSE: 45 minutes

COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA

Average Daily Membership (ADM) Component =

$$\begin{aligned}
 & .5 \left[\frac{\text{Local True Values}}{\text{Division ADM}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Division ADM}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Division ADM}} \right] \\
 & \quad \frac{\text{State True Values}}{\text{State ADM}} \quad \quad \quad \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \quad \quad \quad \frac{\text{State Taxable Retail Sales}}{\text{State ADM}}
 \end{aligned}$$

Population Component =

$$\begin{aligned}
 & .5 \left[\frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right] \\
 & \quad \frac{\text{State True Values}}{\text{State Population}} \quad \quad \quad \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \quad \quad \quad \frac{\text{State Taxable Retail Sales}}{\text{State Population}}
 \end{aligned}$$

Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$