

Virginia Board of Education Agenda Item



Agenda Item: L

Date: April 25, 2013

Title	First Review to Establish a Revised Composite Index for the Bedford County Public Schools Effective July 1, 2013		
Presenter	Mr. Kent C. Dickey, Deputy Superintendent for Finance and Operations		
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Purpose of Presentation:

Action required by state or federal law or regulation.

Previous Review or Action:

No previous review or action.

Action Requested:

Action will be requested at a future meeting. Specify anticipated date below:
May 23, 2013

Alignment with Board of Education Goals: Please indicate (X) all that apply:

	Goal 1: Accountability for Student Learning
	Goal 2: Rigorous Standards to Promote College and Career Readiness
	Goal 3: Expanded Opportunities to Learn
	Goal 4: Nurturing Young Learners
	Goal 5: Highly Qualified and Effective Educators
	Goal 6: Sound Policies for Student Success
	Goal 7: Safe and Secure Schools
X	Other Priority or Initiative. Specify: <i>Action required by the appropriation act.</i>

Background Information and Statutory Authority:

This item pertains to action required by the Board of Education under the appropriation act.

Effective July 1, 2013, Bedford City will revert to town status within Bedford County, resulting in the dissolution of the Bedford City school division and the Bedford County school division becoming responsible for public education within the new town entity. The current appropriation act (Chapter 3, Item 139 A.4.c.1)-3)) provides that under such city to town reversions, the resulting school division may be provided state funds (and interest rates on Literary Fund loans) based on a composite index established by the Board of Education that is required to be the lowest of the divisions involved in the consolidation or reversion and that is required to be in effect for a period of 15 years for funding purposes. The composite index establishes the relative state and local shares of funding under Virginia's K-12 funding formulas. The Governor must then approve the composite index determined by the Board

of Education prior to disbursement of state funds.

The 2013 General Assembly amended the Chapter 3 provisions requiring the lowest composite index be used for a 15-year period, instead requiring a composite index be established that is between the highest and lowest of the divisions involved in the consolidation or reversion and that the revised index be in effect for a period of five to 15 years. However, the General Assembly grandfathered in the Bedford City and City of Clifton Forge reversions under the Chapter 3 provisions (Clifton Forge reverted to town status under Alleghany County in fiscal year 2002). The amended appropriation act language adopted by the 2013 General Assembly (and awaiting signature by the Governor) is shown below (see bold text under c.4) for language specific to the Bedford City reversion and the revised composite index to be established by the Board for Bedford County).

Item 139 A.4.c.1)-4) of Reenrolled HB1500 (2012-2014 appropriation act amended by the 2013 General Assembly):

c.1) In the event that two or more school divisions become one school division, whether by consolidation of only the school divisions or by consolidation of the local governments, which shall include the transition of a city to town status, all state payments from this item adjusted by the composite index of local ability to pay to such resulting division or interest rates on approved Literary Fund loans shall be made on the basis of a composite index established by the Board of Education, which shall equal the ~~lowest composite index~~ *no lower than the lowest nor higher than the highest composite index* of any of the individual school divisions involved in such consolidation. In addition, the local share of state payments adjusted by the composite index shall also be based on the same ~~lowest~~ composite index of any of the individual school divisions involved in such consolidation. This index shall remain in effect for a period of ~~fifteen years~~ *no less than five nor more than fifteen years*, unless a lower composite index is calculated for the combined division through the process for computing an index figure as set forth above. The Governor shall approve the composite index determined by the Board of Education prior to disbursement of funds under such index. The department shall report to the Chairmen of the House Appropriations and Senate Finance Committees the composite indices approved by the Governor and the board in the event this provision is implemented.

2) In the case of the consolidation of Clifton Forge and Alleghany County school divisions, the fifteen year period for the application of a new composite index ~~pursuant to paragraph c.1) above~~ shall apply beginning with the fiscal year that starts on July 1, 2004. *Notwithstanding the provisions of paragraph c.1) the composite index established by the Board of Education shall equal the lowest composite index that was in effect prior to July 1, 2004, of any individual localities involved in such consolidation, and this index shall remain in effect for a period of fifteen years, unless a lower composite index is calculated for the combined division through the process for computing an index as set forth above.*

3) Pursuant to paragraph c.1) above, if the composite index of a consolidated school division is reduced during the course of the fifteen year period to a level that would entitle the school division to a lower interest rate for a Literary Fund loan than it received when the loan was originally released, the Board of Education shall reduce the interest rate of such loan for the remainder of the period of the loan. Such reduction shall be based on the interest rate that would apply at the time of such adjustment. This rate shall remain in effect for the duration of the loan and shall apply only to those years remaining to be paid.

4) In the case of the consolidation of Bedford County and Bedford City school divisions, the fifteen year period for the application of a new composite shall apply beginning with the fiscal year that starts on July 1, 2013. Notwithstanding the provisions of paragraph c.1) the composite index established by the Board of Education shall equal the lowest composite index that was in effect prior to July 1, 2013, of any individual localities involved in such consolidation, and this index shall remain in effect for a period of fifteen years, unless a lower composite index is calculated for the combined division through the process for computing an index as set forth above.

Summary of Important Issues:

The combined Bedford County school division is eligible to use the lower composite index value of Bedford City for a period of 15 years, unless a lower composite index value is calculated for the combined division during the 15-year period. In the case of Bedford County, the appropriation act pending final enactment by the Governor requires the Board of Education to establish a composite index that equals the lowest composite index that was in effect prior to July 1, 2013, of the divisions involved and to be in effect for a period of 15 years. Effective with fiscal year 2014, this would require the establishment of a composite index for the combined division based on Bedford City's 2012-2014 composite index of 0.3132 in lieu of Bedford County's 2012-2014 index of 0.4268. Subsequent to the Board establishing a revised index for Bedford County, the Governor must then approve the composite index established by the Board prior to disbursement of state funds based on the lower index.

Impact on Fiscal and Human Resources:

The state fiscal impact in fiscal year 2014 (the initial year the revised index would be in effect) to provide funding to the Bedford County Public Schools based on a revised composite index of 0.3132 is \$6.2 million. State funding for this cost was included in the Governor's introduced budget to the 2013 General Assembly, and this funding was approved by the General Assembly. Under current provisions of the appropriation act, state funding would be provided to Bedford County based on this revised composite index for a 15-year period, beginning with fiscal year 2014 and ending with fiscal year 2028, unless a lower composite index value is calculated for Bedford County as a result of each biennial recalculation of the index during the 15-year period.

Timetable for Further Review/Action:

Establishing a revised composite index of 0.3132 for the Bedford County Public Schools to be effective July 1, 2013, will be presented to the Board of Education for final review on May 23, 2013.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends that the Board of Education accept for first review establishing a revised composite index of 0.3132 for the Bedford County Public Schools to be effective July 1, 2013, for a 15-year period as provided in the appropriation act.