

To: Members of Northern Virginia Delegation

From:

Fairfax County Chamber of Commerce  
Loudoun County Chamber of Commerce  
Northern Virginia Technology Council  
Prince William Regional Chamber of Commerce  
Loudoun County CEO Cabinet  
Loudoun County Economic Development Commission

Dear Northern Virginia Delegation:

As Northern Virginia business organizations, we are very concerned about the provision in Governor Kaine's budget proposal for FY2010-2012 that freezes the 2010-2012 Local Composite Index (LCI) for FY11. In addition to the significant impact on local school funding for many of Northern Virginia's localities, we believe the arbitrary freezing of this long established and accepted school funding formula interjects tremendous uncertainty into the school funding process while raising new questions about fairness and trust as it relates to the use of funding formulas to distribute state funds across the Commonwealth. As a member of Northern Virginia's Delegation to the General Assembly, we respectfully request that you lend your support and signature to a Northern Virginia Delegation letter requesting Governor Bob McDonnell to submit a budget amendment rejecting the LCI freeze for FY11.

As you know, the LCI is the measure used to determine the state and local shares of K-12 education costs, and is based on data derived from local sources of revenue (adjusted gross income, taxable retail sales, and true value of real property). The LCI is routinely updated every two years to reflect fluctuations in each locality's tax revenue base. Several Northern Virginia localities have seen a significant loss in their tax base recently, particularly in real property values, and thus have a decreased "ability to pay" for K-12 education. Specifically, Fairfax County's LCI is scheduled to drop in the 2010-2012 biennium from .7650 to .7126, while Loudoun County drops from .6708 to .5854, and Prince William County drops from .4437 to .4036. Arlington County falls under a statutory cap and thus remains .8000.

This change in the LCI is part of the routine distribution of education funding that occurs every two years, reflecting fluctuations in each localities tax base. Consequently, every biennium some localities gain state funding while others receive less. But by relying on an agreed upon formula, the state avoids the divisiveness of pitting school divisions against each other. While imperfect, the LCI has been the Commonwealth's accepted measure of local ability to pay for K-12 education for many years.

The freezing of the LCI for FY11 is not good public policy. If the LCI is frozen in FY11, the counties of Fairfax, Loudoun and Prince William collectively lose \$118M in state funding that would otherwise be allocated to them even as they add 8897 new students to their systems. At the same time, those school divisions benefiting under this proposal will receive an additional \$114 million while collectively educating nearly 2,300 fewer children. Moreover, the adverse

and disproportionate impact on many Northern Virginia localities, in particular, may be perceived as a breach of trust by the voters and individual and corporate taxpayers of the region. Such an unprecedented proposal to freeze the LCI may have the effect of forever politicizing the K-12 school funding formula.

We hope you are able to resolve this issue expeditiously, as the proposal to freeze the composite index has thrown great uncertainty into the school funding process, leaving Northern Virginia and a significant number of other localities throughout the Commonwealth scrambling to adjust for a potentially massive and last minute changes. The long term health of Virginia's schools is critical to the Commonwealth's global competitiveness and our continued success in attracting new and expanding companies to Virginia. Freezing the LCI funding formula in FY11 is bad public policy for the Commonwealth of Virginia and bad for business.

Thank you for your consideration.