

REPORT OF THE SUBCOMMITTEE
STUDYING ELECTED SCHOOL BOARDS
AND
FISCAL INDEPENDENCE OF SCHOOL DISTRICTS
TO
THE HOUSE COMMITTEE ON PRIVILEGES AND ELECTIONS

JANUARY 1989

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I. Introduction

This Subcommittee was appointed by the Chairman of the House Committee on Privileges and Elections in response to the request of the Speaker of the House that the Committee give consideration to the issues raised during the 1988 Session in House Joint Resolution Number 126. See Appendix A. That Resolution called for a study of

"the constitutional and practical implications of altering the method of selecting school boards, changing the relationships among the electorate, the local governing bodies, and the school boards, and redesignating who should have fiscal responsibilities for budgeting, taxing and borrowing to operate the public schools."

The premise of the Resolution is that an evaluation of whether school boards should be elected or appointed "clearly encompasses the more far-reaching issue of whether school boards should have fiscal independence and responsibilities."

The Subcommittee was appointed by Ford C. Quillen and met first on August 2, 1988. At that meeting Delegate Quillen was elected Chairman and Delegate C. Jefferson Stafford, patron of House Joint Resolution Number 126, was elected Vice-Chairman. Delegates V. Earl Dickinson, S. Wallace Stieffen, and John C. Watkins also served on the Subcommittee. Delegates Quillen and Watkins had served on the 1984 Subcommittee which reported to the full Committee on the pros and cons of electing school boards.

At its first meeting, the Subcommittee reviewed a staff background briefing paper on (i) selection methods and the fiscal status of school boards in the 50 states, (ii) Virginia constitutional and statutory provisions pertinent to changing the selection method and fiscal powers of the school boards, and (iii) an analysis of the fiscal impact, on a statewide basis, of shifting real property tax revenues to independent school divisions from the counties' and cities' general government budgets.

Next, the Subcommittee held a public hearing in Richmond on September 14, 1988, at which it sought opinions on the issue whether elected school boards should be given independent fiscal status. Those views are reported in the next section which summarizes the pros and cons on the issues examined by the Subcommittee.

This Report is a logical next step after the 1984 Report and responsive to House Joint Resolution No. 126. It focuses on the larger questions of whether an elected school board should have independent fiscal powers apart from the county or city and what is involved in giving independent fiscal powers to an elected school board.

II. Summary

A. Issues

The issue whether school boards should be elected can be isolated and stated as follows:

- Should Virginia retain its present system of appointed school boards - or - should the Commonwealth give localities an option to elect the school board.

The discussion of this issue during the past decade in the General Assembly, and particularly in the House Committee on Privileges and Elections, has involved a broader context. The focus of this report is to examine the relationship between the method of selecting the school board and methods used to finance schools. In this broader context the issues can be stated as follows:

- Is it possible to elect the school board and retain the present system for preparing the school budget and financing schools, i.e. a financially dependent school board.
- Is it desirable and practical to elect the school board and retain the present system of financially dependent school boards.
- What would be required to create a system of elected school boards that are fiscally independent.

B. Analysis

- Should Virginia retain its present system of appointed school boards - or - should the Commonwealth give the localities an option to elect the school board.

The Subcommittee reviewed the December 1984 report of the Subcommittee Studying School Board Selection (House Resolution 12). That report contained a fair summary of the arguments for and against appointing or electing school boards. The presentations to the Subcommittee reflected many of the same basic arguments for and against allowing elected boards in Virginia:

For Popularity Elected School Boards

Elected school boards are more democratic because they are directly responsible and accountable to the people.

Elected school boards are more responsive to the wishes of the public.

Elected boards are freer to act independently in the best interest of the schools since their sole concern is education; education issues are less likely to become intermingled with political and other policy issues.

Elected boards are more likely to protect education from local politics; appointments to school boards may involve patronage, favoritism, and the like.

People take more interest in education and schools when boards are elected because education issues are highlighted by the campaign.

Elected boards are better able to act freely and independently on the advice of the school administration and educational experts.

No empirical study was available in 1984 or has been developed to date that evaluates the effectiveness of elected versus appointed boards in terms of the quality of education provided. It remains a judgment call based on philosophy of government and political perceptions.

Since 1984, the issue has been raised and litigated whether the present system is discriminatory and violates federal constitutional and statutory provisions. The federal district court in *Irby v. Fitz-Hugh* (E.D. Va. No. 87-0633R, 1988) ruled that the present statewide system is valid under federal law. That decision is being appealed now.

For Appointed School Boards

The elected local governing body can be held responsible for the school board and the education system and the overall operation of the local government; education is only one function, albeit important, for which local government is responsible.

Highly qualified citizens who prefer not to subject themselves to the demands of running for elected office are willing to serve on an appointed school board as a community service.

Appointed board members are less likely to inject politics and political ambitions into education since they are not seeking reelection or using the school board as a political stepping stone.

Experience and continuity on the school board are more likely to be created through an appointed board.

A system of appointed school boards is more likely to avoid the problem of single-issue campaigns which frequently occur when boards are elected. School board elections which become a "referendum" on a single issue often lead to excessive board involvement in administrative matters, high administrative turnover, and unstable education policies.

Speakers before the Subcommittee raised the question whether minority representation on elected school boards would remain at the same levels and in proportion to the minority share of total population if there is a shift to elected boards. The NAACP spoke in support of allowing a local option to elect the school board. The Subcommittee believes that the present system is not discriminatory and that any change in the present system discussed here would be based on factors that are racially neutral. We note that Virginia is subject to both Sections 2 and 5 of the Voting Rights Act. If school boards are elected, all aspects of the legislation to implement the change would be subject to preclearance under Section 5 of the Voting Rights Act and could be subject to litigation under Section 2 of the Act. We believe that this issue involves questions that impact equally on all Virginians. This study of the methods of selecting school boards and financing the public schools looks at factors of like concern to every Virginian, such as the proper relationship of the school board to the public and the local governing body and the appropriate allocation of fiscal powers between the school board and local governing body.

- Is it possible to elect the school board and retain the present system for preparing the school budget and financing schools, i.e. a financially dependent school board.

Yes. There is clear constitutional authority for the General Assembly to authorize the election of school boards under Article VIII, Section 7. The General Assembly may set the method of choosing school board members, their terms, and their qualifications.

- Is it desirable and practical to elect the school board and retain the present system of financially dependent school boards.

This question was raised by the Subcommittee at its public hearing. The responses were divided. A number of persons who favored elected school boards opposed independent taxing power for the school board. Several persons opposing elected school boards stated that they would prefer continuation of the present fiscal dependence of school boards on the local governing body in the event elected school boards were authorized. A number of persons, including those favoring and opposing elected boards, held the opinion that an elected board should have independent fiscal powers in order to constitute a responsible and effective governmental entity.

Reasons given in support of dependent elected school boards included:

- † The governing body should continue its role in the budget and taxing structure as a check on an elected school board that might be school-oriented and not responsive to other local needs.

- † There should be only one taxing authority locally to avoid confrontation between the separately elected local governing body and school board.
- † The issue of electing the school board should be examined and decided on its own merits. If elected boards are authorized by the General Assembly and adopted locally, the issue of granting taxing and fiscal power to elected boards could be dealt with on a local option basis or be decided after a number of elected boards have been in operation for a period of time.

Reasons given in opposition to dependent elected school boards included:

- † Responsibility and authority for administering and funding the school system must be lodged in the same body as a principle of sound management. An elected school board should have both responsibility for administering the schools and authority to set the budget and levy taxes to fund the budget.
- † Qualified persons would be less likely to make the effort to be elected to the school board if they did not have independent fiscal powers as a board and power to set the budget and levy taxes to fund the school system.
- † Candidates for an elected school board without fiscal powers would make excessive promises of expanded programs and services without the check of having to propose the taxes to fund those programs and services.
- † An elected governing body would be less responsive to the budget requests of an elected school board over which it has no control and local school funding would suffer, unless the school board itself could levy taxes.

There are a number of states in which some or all school boards are elected and do not have independent fiscal powers: Alaska, Connecticut, Hawaii (100% state funding), Maine, Maryland, Massachusetts, New Hampshire, North Carolina, Rhode Island, and Tennessee.

The predominate pattern nationally, however, is that elected school boards have fiscal control of the school system.

This issue concerning the fiscal dependence or independence of elected boards, like the issue of elected versus appointed boards reviewed above, cannot be resolved on the basis of any available empirical data and requires a policy and political judgment.

- What would be required to create a system of elected school boards that are fiscally independent.

First, consideration must be given to the sources of revenue which can be made available to fiscally independent school divisions. The initial staff report indicated that the real property tax resources of the state fall short of paying the local share of education costs. Nationwide, real property taxes are the main source to fund the local share of education costs. In Virginia real property taxes, at current rates, fall short of providing the funds to meet the local share of education costs. This shortfall was \$39 million for the year ended June 30, 1987, and only 23 of Virginia's 136 cities and counties collected enough real property taxes to fund the local share of education costs. Appendix B provides statistical data on the impact of creating financially independent school districts in Virginia.

Consideration should be given to what other sources of revenue can be made available to independent school divisions and how to allocate revenue resources between the school district and the basic local government.

Second, major constitutional and statutory changes will be required to create financially independent school districts. The attached draft constitutional amendment (Appendix C) authorizes the General Assembly to create fiscally independent school divisions that will be able to tax and borrow to provide local funding for public schools without the consent or action of the governing body of the affected county, city or town.

Article VII, Section 7 of the present Constitution states that "(n)o ordinance or resolution appropriating money exceeding the sum of five hundred dollars, imposing taxes, or authorizing the borrowing of money shall be passed except by a recorded affirmative vote of a majority of all members elected to the governing body." This provision has been construed by the courts and Attorney General to limit the power of the General Assembly and to reserve to the local governing bodies of the counties and municipalities their constitutional powers to appropriate funds and raise taxes. It is this provision which stops the General Assembly from granting independent fiscal powers to school boards. See, Wright v. Norfolk Electoral Bd., 223 Va. 149, 286 S.E.2d 227 (1982); and Opinion of the Attorney General to The Honorable Glenn R. Croshaw, Jan. 27, 1988.

Article X, Section 4, reserves to the localities the power to tax real estate and tangible personal property. The draft proposal contemplates taxing of real property by independent school divisions as well as the counties and municipalities. The draft also authorizes the General Assembly to grant independent school divisions other taxing powers just as it can give other taxing powers to counties and cities.

This draft states an authorization, not a mandate, for the General Assembly to create fiscally independent school divisions with taxing and borrowing powers. In essence, the draft empowers the General Assembly to establish a new layer of government with the power to tax property and borrow for school purposes. Independent school divisions will be a new type of local unit of government in addition to the counties, cities, towns, and regional government units now recognized in the Constitution.

Virginia is unique among the states in having independent cities and counties with the result that most Virginia residents are taxed locally by only one entity -- the local governing body of the county or city. Town residents can be taxed by the town and county governing bodies. Real property taxes are the main source for local school funds and are now levied by the board of supervisors or council for both school purposes and for general government purposes.

Virginia does have special purpose districts (e.g., transportation districts, sanitation districts, and fire or rescue zones) for which the county or city governing body may impose special taxes on the residents of the special district. There are also separately elected governing bodies for soil and water conservation districts in the Commonwealth, but these bodies do not have taxing or borrowing powers. Generally, Virginia has avoided local taxation of real property by more than one local taxing authority apart from the town and county situation.

The main features of the draft can be summarized by saying what the proposed amendment will do and what it will not do:

What the proposal will do:

It will give the General Assembly the authority to create fiscally independent school divisions and grant the boards of such divisions the power to levy real property taxes and other taxes for school purposes. The power to tax is the essential characteristic of such a division.

It will give the General Assembly authority to determine whether the board of an independent school division should be appointed or elected.

It will give the General Assembly the authority to give fiscally independent school divisions power to borrow for school purposes subject to the same requirement for voter approval or limitation on total debt that applies in the county or city comprising the division.

What the proposal will not do:

It will not immediately establish fiscally independent school divisions or give any school board taxing powers.

It will not require school boards to be elected and will not change the present Constitutional provision that gives the General Assembly discretion to provide for the method of selecting school boards.

It will not require that independent school divisions with taxing power also have the power to borrow for school purposes.

It will require the board of an independent school division with taxing power to follow the same procedures for a recorded affirmative majority vote now required for local governing bodies in order to appropriate money, impose taxes or borrow. It will give the General Assembly power to require voter approval of tax levies by such school boards.

It will not change present law which has been held to prohibit local voter approval of tax levies by a board of supervisors or council. It will not automatically require a referendum in the school division on a tax levy.

It will permit the creation of independent school divisions by either general law or by special act as is the case with other units of local and regional government.

It will not change present law that leaves to the General Assembly and the State Board of Education the division of the Commonwealth into school divisions so as to "promote the realization of the prescribed standards of quality" for education.

It will require the General Assembly to provide by law for the prorationing of the limit on municipal debt between the municipality and the school division serving the municipality if the school division is given the power to issue debt.

It will not change present requirements that standards of quality be established for the school divisions and that the General Assembly provide for the apportionment of the costs of education between the Commonwealth and the "local units of government comprising such school divisions."

A section-by-section explanation of the draft is given in Appendix C. At the end of the explanation, a number of pertinent constitutional provisions are listed which are not amended by the draft but which will affect how fiscally independent school divisions might operate.

The attached draft serves as an example of one approach to creating a new layer of government in Virginia if school boards are elected and granted independent fiscal powers. The constitutional amendment would be the first legislative step and considerable statutory implementation would follow to implement such a change.

The Subcommittee was interested in the various approaches followed by other states in operating fiscally independent systems. Appendix D contains a state-by-state capsule of some of the variety of provisions and procedures used in other jurisdictions in conjunction with the grant of independent fiscal powers to school divisions. That summary gives some indication of the many issues involved -- voter approval for tax levies, tax increases, budgets, bond issues; statutory or constitutional limitations on the tax rates, tax levies and indebtedness; and coordination of school and general local tax levies and bond issues.

III. Conclusion

The Subcommittee has found: first, that the General Assembly has the authority to adopt legislation that will enable localities to elect the school board; second, that there are difficult revenue issues involved in providing full fiscal independence for school districts; and third, that a change to fiscally independent school systems involves major constitutional and statutory changes. The Subcommittee presents one possible approach to a constitutional amendment that will create the framework for fiscally independent school systems.

The Subcommittee has not reached unanimous agreement on the two policy questions of whether school boards should be elected and whether elected school boards should be authorized only if they have independent fiscal powers and responsibilities. A majority of the Subcommittee agrees that school boards should not be elected whether or not school districts are fiscally independent. Each member states his own position on these questions.

STATEMENT OF FORD C. QUILLEN
V. EARL DICKINSON
S. WALLACE STIEFFEN

The Study of Elected School Boards by the Subcommittee of the Privileges and Elections Committee shows that there is little demand or reason that the present system of fiscally dependent school divisions should be changed. I am opposed to elected school boards, with or without fiscal responsibility.

Elected school boards with fiscal responsibility create the difficult problem of dividing local revenue sources between general local government needs and an independent school system. The present approach of one elected governing body with responsibility and fiscal authority to provide for all local services, including schools, is workable and sound. Local fiscal problems should be evaluated as a whole. Giving an elected school board fiscal independence is not only complex, but will prove to be costly to the taxpayers in the long run.

It would also be a mistake to create an elected school board that would have policy and management responsibilities for the school system but not the fiscal responsibility and authority to fund its program. I believe that many qualified citizens would refuse to serve on the school board if it were necessary to raise funds and run in an election, especially if they were not able to have effective and complete responsibility for the school district.

More important, conflict between an elected school board and elected governing body is probable especially if the campaigning school board does not have responsibility for funding campaign proposals or promises. Candidates for the governing body, on the other hand, will be faced with responsibility for all local services and the need to fund the services.

STATEMENT OF C. JEFFERSON STAFFORD

I support legislation that will give each locality the option to change to an elected school board provided that the elected board is required to be responsible for the fiscal management of the system and given taxing and borrowing authority.

Therefore, I favor action in 1989 to begin the constitutional amendment process so that the General Assembly will be empowered to create fiscally independent school systems. The election of school boards should be allowed only after a statewide referendum is held on the Constitutional amendment and the voters have addressed the primary issue of whether they want the option to establish a new layer of government with comprehensive responsibility for the funding and management of the schools. Elected school boards are appropriate only if they have this type of comprehensive responsibility.

STATEMENT OF JOHN C. WATKINS

I agree that it would be a mistake to change the present system of fiscally dependent school districts. There is no need to restructure Virginia's local government system or redistribute sources of local revenue between school districts and units of general government. Other states with elected school boards are operating under a variety of arrangements that encompass fiscally dependent school districts.

The General Assembly has the authority to provide for the election of school boards and should address that issue.

My own position is that each locality should have the option to elect the school board. Operation of the schools is the most important function within local government, and the voters should have the option to choose to elect the school board. The issue is primarily one of representative and responsive government and direct election of the school board by popular vote is an appropriate option under our democratic government structure.

APPENDIX A

LD4148572

1988 SESSION

HOUSE JOINT RESOLUTION NO. 126

Establishing a joint subcommittee to study the effect of electing school boards and authorizing school boards to impose taxes.

Patron--Stafford

Referred to the Committee on Rules

WHEREAS, Virginia is unique in that school boards cannot be popularly elected, and attention has focused on the issue of providing for elected school boards, possibly on a local option basis for all or part of the Commonwealth; and

WHEREAS, the scope of the issues involved extends beyond the question of how such boards should be chosen and clearly encompasses the more far-reaching issue of whether school boards should have fiscal independence and responsibilities; and

WHEREAS, the proper administration and oversight of the Commonwealth's school districts is a matter requiring comprehensive, and not piecemeal, evaluation; and

WHEREAS, fiscal responsibility for a school district involves budget matters and taxing and borrowing powers; and

WHEREAS, there is an inevitable interrelationship between sound administration and fiscal responsibility in meeting the needs of the public school system; and

WHEREAS, both the constitutional questions and the practical impacts that are involved warrant study before the Commonwealth commits itself to shift from the current system that is predicated on one layer of local taxing authority directly responsible to the electorate; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby established a joint subcommittee of the House and Senate to examine and evaluate the constitutional and practical implications of altering the method of selecting school boards, changing the relationships among the electorate, the local governing bodies, and the school boards, and redesignating who should have fiscal responsibilities for budgeting, taxing and borrowing to operate the public schools; and, be it

RESOLVED FURTHER, That the joint subcommittee shall be comprised of seven members of the House of Delegates to be appointed by the Speaker of the House and five members of the Senate to be appointed by the Senate Committee on Privileges and Elections. The joint subcommittee shall conclude its study and report its recommendations prior to the 1989 Regular Session of the General Assembly.

The indirect costs of this study are estimated to be \$13,675; the direct costs of this study shall not exceed \$10,800.

APPENDIX B

IMPACT OF FINANCIALLY INDEPENDENT SCHOOL DISTRICTS IN VIRGINIA

Fiscally independent school districts in the United States as a rule rely upon taxes on real property to raise the local share of education expenditures. The following data give an overall picture of the effect on local government finance if elected school boards in Virginia were authorized to use the real property tax to fund the local share of education costs, after accounting for state and federal aid. The data were computed from the Auditor of Accounts' Comparative Report of Local Government Revenues and Expenditures, Year Ended June 30, 1987.

Statewide data is summarized below, and attached to this summary is a breakdown by city and county for each category.

A. PERCENT OF REVENUE FROM TAX ON REAL PROPERTY REQUIRED TO FINANCE LOCAL SHARE OF EDUCATION COSTS

CITIES	92.1%
COUNTIES	108.2%
COMBINED	102.3%

B. AMOUNT OF REVENUE FROM TAX ON REAL PROPERTY REMAINING AFTER MEETING EDUCATION REQUIREMENTS

CITIES	+ \$50.3 MILLION
COUNTIES	- \$89.2 MILLION
COMBINED	- \$39.0 MILLION

C. EDUCATION AS A PERCENT OF LOCAL MAINTENANCE AND OPERATION EXPENDITURES FOR ALL PURPOSES

CITIES	50.4%
COUNTIES	67.2%
COMBINED	60.2%

D. PERCENT OF REVENUE FROM LOCAL SOURCES
DEVOTED TO EDUCATION

CITIES	34.6%
COUNTIES	49.3%
COMBINED	43.2%

State and federal aid were subtracted from total education expenditures to give the local expenditure for education. This amount was then divided by the total revenue derived from all local sources.

E. EDUCATION DEBT AS A PERCENT OF ALL OUTSTANDING LOCAL DEBT

CITIES	19.6%
COUNTIES	45.3%
COMBINED	32.1%

SUMMARY

The information above indicates that independent school districts whose only source of taxation was the real property tax would need to capture the entire real property tax in the state, at current tax levels, in order to maintain the present level of local funding for education. While there is a slight positive balance for the cities, a shortfall in fact remains for the counties and for the state as a whole. These figures vary by individual city and county, as shown in the tables which follow, but a major share of the real estate tax would go to education even in localities with a positive balance.

COMBINED TABLES A AND B

- A. PERCENT OF REVENUE FROM TAX ON REAL PROPERTY REQUIRED TO FINANCE LOCAL SHARE OF EDUCATION COSTS
- B. AMOUNT OF REVENUE FROM TAX ON REAL PROPERTY REMAINING AFTER MEETING EDUCATION REQUIREMENTS

<u>Cities</u>	<u>Percent</u>	<u>Dollar Amount</u>
Alexandria	54.1%	+38,778,523
Bedford	150.8%	-515,925
Bristol	110.3%	-418,526
Buena Vista	121.3%	-196,086
Charlottesville	127.3%	-3,261,783
Chesapeake	98.1%	+653,791
Clifton Forge	216.7%	-902,434
Colonial Heights	112.4%	-596,324
Covington	230.7%	-1,280,212
Danville	177.7%	-4,142,278
Emporia	120.9%	-159,285
Fairfax	74.3%	+3,118,863
Falls Church	99.9%	+4,147
Franklin	139.3%	-536,825
Fredericksburg	93.4%	+386,455
Galax	140.3%	-501,279
Hampton	97.5%	+793,852
Harrisonburg	146.8%	-2,198,542
Hopewell	124.1%	-1,230,220
Lexington	81.1%	+228,576
Lynchburg	111.2%	-1,690,079
Manassas	89.5%	+1,144,439
Manassas Park	51.4%	+1,219,849
Martinsville	171.8%	-1,969,041
Newport News	90.3%	+4,349,486
Norfolk	110.0%	-5,882,200
Norton	207.2%	-644,874
Petersburg	96.1%	+359,945
Poquoson	87.9%	+327,825
Portsmouth	86.3%	+3,396,473
Radford	158.9%	-987,580
Richmond	100.0%	-76,693
Roanoke	89.6%	+2,540,032
Salem	105.1%	-331,220
South Boston	96.7%	+39,787
Staunton	88.5%	+576,196
Suffolk	110.6%	-1,009,357
Virginia Beach	74.8%	+23,681,609
Waynesboro	104.6%	-203,564
Williamsburg	142.4%	-969,529
Winchester	130.3%	-1,621,563

Table A and B cont.

<u>Counties</u>	<u>Percent</u>	<u>Dollar Amount</u>
Accomack	153.0%	-2,190,448
Albemarle	132.0%	-5,033,083
Alleghany	204.0%	-1,741,692
Amelia	135.0%	-418,685
Amherst	172.0%	-1,987,741
Appomattox	142.0%	-559,131
Arlington	66.0%	+34,996,319
Augusta	158.0%	-4,044,531
Bath	547.0%	-2,899,314
Bedford	136.0%	-1,947,008
Bland	130.0%	-196,989
Botetourt	139.0%	-1,441,637
Brunswick	166.0%	-973,207
Buchanan	200.0%	-4,862,575
Buckingham	106.0%	-109,305
Campbell	196.0%	-3,755,231
Caroline	193.0%	-2,206,323
Carroll	155.0%	-1,158,274
Charles City	105.0%	-88,802
Charlotte	125.0%	-287,069
Chesterfield	102.0%	-1,315,866
Clarke	119.0%	-462,680
Craig	124.0%	-119,450
Culpeper	156.0%	-2,212,296
Cumberland	222.0%	-613,831
Dickenson	260.0%	-3,873,866
Dinwiddie	172.0%	-2,064,880
Essex	180.0%	-1,096,025
Fairfax	95.0%	+22,227,233
Fauquier	148.0%	-4,920,521
Floyd	132.0%	-513,296
Fluvanna	162.0%	-951,313
Franklin	131.0%	-1,277,327
Frederick	150.0%	-2,831,023
Giles	223.0%	-2,007,256
Gloucester	102.0%	-94,098
Goochland	128.0%	-770,049
Grayson	119.0%	-269,366
Greene	127.0%	-401,282
Greensville	206.0%	-995,330
Halifax	232.0%	-2,419,725
Hanover	144.0%	-4,294,263
Henrico	111.0%	-6,415,043
Henry	198.0%	-5,210,971
Highland	113.0%	-82,593

Table A and B cont.

Isle of Wight	184.0%	-2,602,491
James City	108.0%	-642,962
King and Queen	113.0%	-157,612
King George	143.0%	-936,285
King William	159.0%	876,076
Lancaster	131.0%	-561,881
Lee	143.0%	-970,285
Loudoun	98.0%	+765,898
Louisa	372.0%	-4,845,471
Lunenburg	139.0%	-551,713
Madison	129.0%	-555,083
Mathews	127.0%	-406,443
Mecklenburg	160.0%	-1,431,914
Middlesex	150.0%	-659,453
Montgomery	136.0%	-2,997,163
Nelson	117.0%	-490,265
New Kent	99.0%	+36,130
Northampton	134.0%	-658,999
Northumberland	124.0%	-483,204
Nottoway	168.0%	-769,421
Orange	153.0%	-1,691,259
Page	163.0%	-1,251,275
Patrick	155.0%	-829,834
Pittsylvania	175.0%	-2,659,364
Powhatan	90.0%	+233,023
Prince Edward	187.0%	-1,045,880
Prince George	151.0%	-1,566,316
Prince William	95.0%	+4,004,802
Pulaski	108.0%	-405,465
Rappahannock	135.0%	-427,961
Richmond	146.0%	-434,612
Roanoke	123.0%	-5,372,032
Rockbridge	170.0%	-1,422,401
Rockingham	191.0%	-5,986,375
Russell	202.0%	-2,589,776
Scott	133.0%	-638,249
Shenandoah	160.0%	-2,681,148
Smyth	127.0%	-687,727
Southampton	151.0%	-962,945
Spotsylvania	123.0%	-1,805,030
Stafford	93.0%	+1,003,201
Surry	419.0%	-2,839,394
Sussex	161.0%	-768,736
Tazewell	162.0%	-2,804,343
Warren	181.0%	-2,093,091
Washington	128.0%	-1,463,746
Westmoreland	118.0%	-447,177
Wise	384.0%	-6,008,388
Wythe	171.0%	-1,429,223
York	106.0%	-468,532

C. EDUCATION AS A PERCENT OF LOCAL MAINTENANCE AND
OPERATION EXPENDITURES FOR ALL PURPOSES

<u>Cities</u>	<u>Percent</u>
Alexandria	37.9%
Bedford	46.8%
Bristol	53.4%
Buena Vista	60.5%
Charlottesville	47.8%
Chesapeake	55.1%
Clifton Forge	68.0%
Colonial Heights	62.4%
Covington	56.6%
Danville	52.4%
Emporia	27.4%
Fairfax	41.1%
Falls Church	45.6%
Franklin	58.8%
Fredericksburg	45.0%
Galax	52.4%
Hampton	53.8%
Harrisonburg	55.7%
Hopewell	56.9%
Lexington	45.8%
Lynchburg	50.4%
Manassas	57.4%
Manassas Park	61.1%
Martinsville	52.9%
Newport News	52.3%
Norfolk	49.5%
Norton	58.6%
Petersburg	49.7%
Poquoson	67.9%
Portsmouth	49.6%
Radford	49.4%
Richmond	45.1%
Roanoke	48.2%
Salem	50.2%
South Boston	57.6%
Staunton	49.0%
Suffolk	58.9%
Virginia Beach	54.3%
Waynesboro	53.9%
Williamsburg	38.4%
Winchester	57.7%

Table C cont.

<u>Counties</u>	<u>Percent</u>
Accomack	73.1%
Albemarle	72.1%
Alleghany	73.3%
Amelia	73.8%
Amherst	79.1%
Appomattox	76.4%
Arlington	39.1%
Augusta	80.3%
Bath	72.1%
Bedford	80.9%
Bland	75.4%
Botetourt	76.7%
Brunswick	77.1%
Buchanan	69.0%
Buckingham	77.6%
Campbell	75.3%
Caroline	77.9%
Carroll	79.2%
Charles City	64.4%
Charlotte	76.4%
Chesterfield	68.7%
Clarke	73.3%
Craig	70.0%
Culpeper	80.1%
Cumberland	76.3%
Dickenson	69.8%
Dinwiddie	77.3%
Essex	73.9%
Fairfax	63.1%
Fauquier	79.2%
Floyd	76.6%
Fluvanna	72.2%
Franklin	75.9%
Frederick	73.3%
Giles	76.8%
Gloucester	73.7%
Goochland	67.0%
Grayson	72.6%
Greene	75.8%
Greensville	76.2%
Halifax	79.6%
Hanover	71.7%
Henrico	58.3%
Henry	77.1%
Highland	65.1%

Table C cont.

Isle of Wight	73.6%
James City	56.8%
King and Queen	69.0%
King George	73.3%
King William	70.5%
Lancaster	67.2%
Lee	77.1%
Loudoun	64.0%
Louisa	75.2%
Lunenburg	80.5%
Madison	79.4%
Mathews	70.7%
Mecklenburg	76.7%
Middlesex	68.7%
Montgomery	77.6%
Nelson	73.7%
New Kent	72.5%
Northampton	69.5%
Northumberland	68.7%
Nottoway	79.2%
Orange	79.6%
Page	77.8%
Patrick	76.6%
Pittsylvania	80.6%
Powhatan	70.3%
Prince Edward	73.9%
Prince George	79.3%
Prince William	66.3%
Pulaski	73.2%
Rappahannock	70.7%
Richmond	70.6%
Roanoke	72.1%
Rockbridge	67.7%
Rockingham	82.0%
Russell	74.4%
Scott	77.8%
Shenandoah	80.3%
Smyth	78.8%
Southampton	66.8%
Spotsylvania	74.6%
Stafford	75.1%
Surry	68.9%
Sussex	67.2%
Tazewell	74.9%
Warren	75.4%
Washington	79.3%
Westmoreland	68.0%
Wise	71.7%
Wythe	76.5%
York	67.1%

D. PERCENT OF REVENUE FROM LOCAL SOURCES
DEVOTED TO EDUCATION

<u>Cities</u>	<u>Percent</u>
Alexandria	28.4%
Bedford	55.7%
Bristol	39.3%
Buena Vista	38.7%
Charlottesville	41.5%
Chesapeake	37.7%
Clifton Forge	68.7%
Colonial Heights	49.4%
Covington	49.3%
Danville	42.7%
Emporia	28.1%
Fairfax	31.8%
Falls Church	39.1%
Franklin	39.3%
Fredericksburg	32.8%
Galax	42.0%
Hampton	36.3%
Harrisonburg	43.5%
Hopewell	40.3%
Lexington	26.8%
Lynchburg	36.9%
Manassas	39.8%
Manassas Park	29.2%
Martinsville	52.2%
Newport News	35.5%
Norfolk	35.4%
Norton	48.6%
Petersburg	35.2%
Poquoson	43.9%
Portsmouth	30.2%
Radford	40.6%
Richmond	36.9%
Roanoke	30.5%
Salem	35.6%
South Boston	34.8%
Staunton	33.4%
Suffolk	40.5%
Virginia Beach	28.3%
Waynesboro	35.9%
Williamsburg	27.6%
Winchester	40.0%

Table D cont.

<u>Counties</u>	<u>Percent</u>
Accomack	60.1%
Albemarle	54.2%
Alleghany	60.1%
Amelia	54.3%
Amherst	60.3%
Appomattox	61.0%
Arlington	33.1%
Augusta	55.5%
Bath	51.2%
Bedford	68.4%
Bland	64.4%
Botetourt	54.5%
Brunswick	58.2%
Buchanan	48.2%
Buckingham	49.5%
Campbell	60.2%
Caroline	80.6%
Carroll	61.0%
Charles City	55.2%
Charlotte	48.7%
Chesterfield	46.0%
Clarke	59.6%
Craig	63.2%
Culpeper	59.5%
Cumberland	67.3%
Dickenson	61.6%
Dinwiddie	66.0%
Essex	74.6%
Fairfax	48.5%
Fauquier	66.3%
Floyd	64.4%
Fluvanna	65.8%
Franklin	52.0%
Frederick	45.9%
Giles	65.2%
Gloucester	47.4%
Goochland	56.5%
Grayson	52.3%
Greene	61.1%
Greensville	50.3%
Halifax	61.7%
Hanover	47.7%
Henrico	42.7%
Henry	56.1%
Highland	68.3%

Table D cont.

Isle of Wight	53.6%
James City	40.8%
King and Queen	67.8%
King George	64.0%
King William	60.6%
Lancaster	60.5%
Lee	56.6%
Loudoun	53.3%
Louisa	63.8%
Lunenburg	60.8%
Madison	65.4%
Mathews	62.0%
Mecklenburg	57.3%
Middlesex	63.4%
Montgomery	62.3%
Nelson	64.1%
New Kent	52.1%
Northampton	59.8%
Northumberland	72.9%
Nottoway	54.6%
Orange	66.1%
Page	68.3%
Patrick	57.2%
Pittsylvania	59.8%
Powhatan	46.9%
Prince Edward	57.1%
Prince George	53.7%
Prince William	47.8%
Pulaski	49.5%
Rappahannock	69.3%
Richmond	50.6%
Roanoke	59.3%
Rockbridge	53.5%
Rockingham	68.4%
Russell	61.8%
Scott	51.8%
Shenandoah	68.2%
Smyth	52.3%
Southampton	52.1%
Spotsylvania	45.7%
Stafford	49.0%
Surry	61.8%
Sussex	53.7%
Tazewell	56.6%
Warren	67.3%
Washington	58.0%
Westmoreland	63.6%
Wise	52.3%
Wythe	58.5%
York	36.5%

E. EDUCATION DEBT AS A PERCENT OF ALL OUTSTANDING LOCAL DEBT

<u>Cities</u>	<u>Percent</u>
Alexandria	8.5%
Bedford	0.0%
Bristol	24.4%
Buena Vista	33.6%
Charlottesville	15.8%
Chesapeake	23.8%
Clifton Forge	60.0%
Colonial Heights	23.0%
Covington	0.0%
Danville	4.3%
Emporia	0.0%
Fairfax	13.8%
Falls Church	42.5%
Franklin	69.2%
Fredericksburg	25.6%
Galax	24.9%
Hampton	5.9%
Harrisonburg	11.0%
Hopewell	51.1%
Lexington	44.9%
Lynchburg	20.0%
Manassas	55.7%
Manassas Park	53.8%
Martinsville	23.4%
Newport News	12.3%
Norfolk	13.7%
Norton	24.7%
Petersburg	29.2%
Poquoson	63.7%
Portsmouth	14.6%
Radford	28.7%
Richmond	15.9%
Roanoke	20.7%
Salem	28.2%
South Boston	10.3%
Staunton	26.7%
Suffolk	45.7%
Virginia Beach	29.8%
Waynesboro	21.5%
Williamsburg	16.3%
Winchester	31.5%

Table E cont.

Counties	<u>Percent</u>
Accomack	94.6%
Albemarle	89.4%
Alleghany	42.6%
Amelia	77.4%
Amherst	75.3%
Appomattox	98.9%
Arlington	10.8%
Augusta	84.2%
Bath	97.4%
Bedford	99.5%
Bland	48.1%
Botetourt	96.6%
Brunswick	74.5%
Buchanan	61.2%
Buckingham	55.5%
Campbell	84.8%
Caroline	87.3%
Carroll	91.8%
Charles City	25.9%
Charlotte	94.8%
Chesterfield	38.8%
Clarke	96.9%
Craig	74.8%
Culpeper	100.0%
Cumberland	92.9%
Dickenson	76.1%
Dinwiddie	62.9%
Essex	91.1%
Fairfax	35.5%
Fauquier	98.5%
Floyd	21.4%
Fluvanna	75.4%
Franklin	77.2%
Frederick	96.5%
Giles	91.8%
Gloucester	84.0%
Goochland	67.2%
Grayson	70.9%
Greene	90.1%
Greensville	87.4%
Halifax	88.8%
Hanover	46.0%
Henrico	21.6%
Henry	96.6%
Highland	0.0%

Table E cont.

Isle of Wight	99.6%
James City	81.4%
King and Queen	98.6%
King George	70.9%
King William	98.5%
Lancaster	96.0%
Lee	89.2%
Loudoun	66.8%
Louisa	100.0%
Lunenburg	87.6%
Madison	97.8%
Mathews	92.4%
Mecklenburg	93.1%
Middlesex	90.3%
Montgomery	78.0%
Nelson	84.1%
New Kent	98.9%
Northampton	90.6%
Northumberland	85.6%
Nottoway	99.0%
Orange	100.0%
Page	98.6%
Patrick	91.9%
Pittsylvania	14.5%
Powhatan	96.7%
Prince Edward	57.4%
Prince George	26.2%
Prince William	69.7%
Pulaski	20.7%
Rappahannock	91.9%
Richmond	98.9%
Roanoke	17.1%
Rockbridge	95.3%
Rockingham	96.6%
Russell	98.8%
Scott	98.5%
Shenandoah	56.4%
Smyth	90.4%
Southampton	58.3%
Spotsylvania	65.9%
Stafford	54.1%
Surry	99.6%
Sussex	85.1%
Tazewell	94.8%
Warren	98.7%
Washington	98.2%
Westmoreland	91.7%
Wise	98.2%
Wythe	88.0%
York	44.5%

APPENDIX C

DRAFT CONSTITUTIONAL AMENDMENT

The draft amendment at the conclusion of this Appendix is illustrative of the issues involved in creating fiscally independent school districts. A section-by-section explanation of the draft follows. At the end of the explanation, a number of pertinent constitutional provisions are listed which are not amended by the draft but which will affect how fiscally independent school divisions might operate.

Sections Amended:

Article VII, Section 1. This is the definition section of the Local Government Article. A new definition of "independent school division" is given which defines an independent division as one with taxing power as provided by the General Assembly by law. Taxation of real property is the usual source of local school taxes, but the draft does not preclude use of other tax sources. If the General Assembly determines it is appropriate to create this new unit of government, it could do so either by general law or by special act just as it may presently legislate with regard to cities and counties by general law or special act.

Article VII, Section 7. It is this section which has been viewed as giving localities the right to tax by action of the local governing body and preventing the General Assembly from authorizing school boards to impose taxes. The amendment incorporates the option of having taxes imposed by the school board of an independent school division. In the case of the independent school division, the amendment also allows the General Assembly to provide by law that there must be local voter approval of a tax levy for school purposes by the school board.

Article VII, Section 10. The present local debt provision outlines differing procedures for municipal and county debt. The amendment adds a third subsection to spell out how the General Assembly can authorize independent school divisions to issue bonds for school purposes. The amendment proposes (i) that the requirement for voter approval of bond issues will be applicable if the independent school district encompasses county territory and (ii) that the limitation on total debt outstanding applicable to municipal debt will be applicable to school and other municipal debt if the division contains municipal territory. The General Assembly is required to provide by law for the appropriate allocation of the current limitation on municipal debt between the municipality and the school division in those cases where an independent school division operates in a municipality. This type of allocation or formula is better defined by statute than constitutional language.

In most cases today in Virginia, the school divisions are comprised of either one county or one city and the implementation of this section will involve either the application of the requirement for voter approval or the limitation on total indebtedness.

There are, however, a number of school divisions which combine a county and city. In those instances, voter approval will be required in a referendum in the county and the ten percent limitation will be retained for municipal debt including the portion of the school division debt that is allocated to the municipality. The General Assembly is required, also, to provide by law for the proration of the debt of a school division which encompasses both municipal and county territory between the municipal and county territory so that the limitation will apply only to an appropriate portion of the division's debt.

Article VIII, Section 7. This provision states that the supervision of schools will be vested in the school boards. A statement is added to authorize the General Assembly to establish independent school divisions with taxing power and to empower school boards of such divisions to levy taxes, appropriate funds, and issue bonds for school purposes.

Article X, Section 1. This section requires uniformity of taxation and allows the use of a different tax rate for property annexed by a city or town. The amendment authorizes the General Assembly to provide for differences in school tax rates in annexed territory as well as general local government tax rates.

Article X, Section 2. This section allows the General Assembly to provide for special use assessments of agricultural and other types of real estate. The amendment includes independent school divisions with counties, cities, towns, and regional governments in listing entities capable of taxing real property which the General Assembly may authorize to grant special tax treatment in these cases.

Article X, Section 6. This section spells out procedures for exempting certain property from taxation. Again, the amendment adds independent school divisions to the list of local units of government which can be authorized to grant local property tax exemptions or impose service charges.

Article X, Section 10. This provision prohibits the lending of public credit for private purposes and the assumption of local debt by the Commonwealth. The amendment adds independent school divisions to the list of units of local governments covered by the section.

Related Sections -- Not Amended:

Article VII, Section 2. This section contains the basic grant of power for the General Assembly to provide for the structure of local government and the organization of counties, cities, towns, and regional governments. The formation of independent school divisions is authorized by the definition added to Section 1 of the Article and the amendment of Section 7 of Article VIII which covers the school boards. The creation of independent school divisions involves a separate or special layer of government related only to education purposes. This provision relates to general government, and a reference to independent school divisions is not required.

Article VIII, Section 2. This provision states that there shall be standards of quality prescribed for the school divisions. No amendment is required since it is contemplated that standards would continue to be imposed at the state level for fiscally dependent and independent divisions. The section also requires the General Assembly to allocate the costs of education between the Commonwealth and the units of local government. No amendment to the section is required. By the amendment to Article VII, Section 1, fiscally independent school divisions will be a unit of local government for the purposes of this section.

Article VIII, Section 5. This section authorizes the State Board of Education to draw school division boundaries subject "to such criteria and conditions as the General Assembly may prescribe." Section 22.1-25 spells out the criteria now in force and requires local approval of any change by the affected school board and local governing body. The Code Section also provides an opportunity for General Assembly disapproval of a proposed change. No amendment to Section 5 is required to allow fiscal independence for existing school divisions and no realignment of existing school divisions is contemplated or required by the proposed constitutional amendment.

Article X, Section 4. This provision segregates real estate, mineral lands and tangible personal property for local taxation. No amendment is required. Taxes imposed by independent school divisions will be local taxes.

1 D 10/5/88 Spain C 10/31/88 DF

2 HOUSE JOINT RESOLUTION NO.....

3 Proposing amendments to Article VII, Sections 1, 7, and 10, Article
4 VIII, Section 7, and Article X, Sections 1, 2, 6, and 10, of the
5 Constitution of Virginia, pertaining to local government,
6 education, and taxation so as to authorize the establishment of
7 independent school divisions with powers to appropriate funds,
8 impose taxes, and borrow money for school purposes.

9

10 RESOLVED by the House of Delegates, the Senate concurring, That
11 the following amendments to the Constitution of Virginia be, and the
12 same hereby are, proposed and referred to the General Assembly at its
13 first regular session held after the next general election of members
14 of the House of Delegates for its concurrence in conformity with the
15 provisions of Section 1 of Article XII of the Constitution of
16 Virginia, namely:

17 Amend Sections 1, 7, and 10 of Article VII, Section 7 of Article
18 VIII, and Sections 1, 2, 6, and 10 of Article X, as follows:

19 ARTICLE VII.

20 LOCAL GOVERNMENT.

21 Section 1. Definitions.--As used in this article (1) "county"
22 means any existing county or any such unit hereafter created, (2)
23 "city" means an independent incorporated community which became a city
24 as provided by law before noon on the first day of July, nineteen
25 hundred seventy-one, or which has within defined boundaries a
26 population of 5,000 or more and which has become a city as provided by
27 law, (3) "town" means any existing town or an incorporated community

1 within one or more counties which became a town before noon, July one,
 2 nineteen hundred seventy-one, as provided by law or which has within
 3 defined boundaries a population of 1,000 or more and which has become
 4 a town as provided by law, (4) "independent school division" means a
 5 school division which has the power to tax for school purposes as
 6 provided by law, {4} (5) regional government" means a unit of
 7 general government organized as provided by law within defined
 8 boundaries, as determined by the General Assembly, 5 (6) "general
 9 law" means a law which on its effective date applies alike to all
 10 counties, cities, towns, independent school divisions, or regional
 11 governments or to a reasonable classification thereof, and 6 (7)
 12 "special act" means a law applicable to a county, city, town,
 13 independent school division, or regional government and for enactment
 14 shall require an affirmative vote of two-thirds of the members elected
 15 to each house of the General Assembly.

16 The General Assembly may increase by general law the population
 17 minima provided in this article for cities and towns. Any county which
 18 on the effective date of this Constitution had adopted an optional
 19 form of government pursuant to a valid statute that does not meet the
 20 general law requirements of this article may continue its form of
 21 government without regard to such general law requirements until it
 22 adopts a form of government provided in conformity with this article.
 23 In this article, whenever the General Assembly is authorized or
 24 required to act by general law, no special act for that purpose shall
 25 be valid unless this article so provides.

26 § 7. Procedures.--No ordinance or resolution appropriating money
 27 exceeding the sum of five hundred dollars, imposing taxes, or
 28 authorizing the borrowing of money shall be passed except by a

1 recorded affirmative vote of a majority of all members elected to the
2 governing body or all members elected or appointed to the school board
3 of an independent school division . In case of the veto of such an
4 ordinance or resolution, where the power of veto exists, it shall
5 require for passage thereafter a recorded affirmative vote of two
6 thirds of all members ~~elected to~~ of the governing body or board .
7 The General Assembly may provide that the approval of a majority of
8 the qualified voters of an independent school division shall be a
9 prerequisite for any ordinance or resolution of the school board to
10 impose taxes.

11 On final vote on any ordinance or resolution, the name of each
12 member voting and how he voted shall be recorded.

13 § 10. Debt.--(a) No city or town shall issue any bonds or other
14 interest-bearing obligations which, including existing indebtedness,
15 shall at any time exceed ten per centum of the assessed valuation of
16 the real estate in the city or town subject to taxation, as shown by
17 the last preceding assessment for taxes. In determining the limitation
18 for a city or town there shall not be included the following classes
19 of indebtedness:

20 (1) Certificates of indebtedness, revenue bonds, or other
21 obligations issued in anticipation of the collection of the revenues
22 of such city or town for the then current year; provided that such
23 certificates, bonds, or other obligations mature within one year from
24 the date of their issue, be not past due, and do not exceed the
25 revenue for such year.

26 (2) Bonds pledging the full faith and credit of such city or town
27 authorized by an ordinance enacted in accordance with Section 7, and
28 approved by the affirmative vote of the qualified voters of the city

1 or town voting upon the question of their issuance, for a supply of
2 water or other specific undertaking from which the city or town may
3 derive a revenue; but from and after a period to be determined by the
4 governing body not exceeding five years from the date of such
5 election, whenever and for so long as such undertaking fails to
6 produce sufficient revenue to pay for cost of operation and
7 administration (including interest on bonds issued therefor), the cost
8 of insurance against a loss by injury to persons or property, and an
9 annual amount to be placed into a sinking fund sufficient to pay the
10 bonds at or before maturity, all outstanding bonds issued on account
11 of such undertaking shall be included in determining such limitation.

12 (3) Bonds of a city or town the principal and interest on which
13 are payable exclusively from the revenues and receipts of a water
14 system or other specific undertaking or undertakings from which the
15 city or town may derive a revenue or secured, solely or together with
16 such revenues, by contributions of other units of government.

17 (4) Contract obligations of a city or town to provide payments
18 over a period of more than one year to any publicly owned or
19 controlled regional project, if the project has been authorized by an
20 interstate compact or if the General Assembly by general law or
21 special act has authorized an exclusion for such project purposes.

22 (b) No debt shall be contracted by or on behalf of any county or
23 district thereof or by or on behalf of any regional government or
24 district thereof except by authority conferred by the General Assembly
25 by general law. The General Assembly shall not authorize any such
26 debt except the classes described in paragraphs (1) and (3) of
27 subsection (a), refunding bonds, and bonds issued, with the consent of
28 the school board and the governing body of the county, by or on behalf

1 of a county or district thereof for capital projects for school
 2 purposes and sold to the Literary Fund, the Virginia Supplemental
 3 Retirement System, or other State agency prescribed by law, unless in
 4 the general law authorizing the same, provision be made for submission
 5 to the qualified voters of the county or district thereof or the
 6 region or district thereof, as the case may be, for approval or
 7 rejection by a majority vote of the qualified voters voting in an
 8 election on the question of contracting such debt. Such approval
 9 shall be a prerequisite to contracting such debt.

10 Any county may, upon approval by the affirmative vote of the
 11 qualified voters of the county voting in an election on the question,
 12 elect to be treated as a city for the purposes of issuing its bonds
 13 under this section. If a county so elects, it shall thereafter be
 14 subject to all of the benefits and limitations of this section
 15 applicable to cities, but in determining the limitation for a county
 16 there shall be included, unless otherwise excluded under this section,
 17 indebtedness of any town or district in that county empowered to levy
 18 taxes on real estate.

19 (c) No debt shall be contracted by any independent school
 20 division except for school purposes and except by authority conferred
 21 by the General Assembly by general law. The following limitations
 22 applicable to county and municipal debt shall be applicable to debt
 23 contracted by an independent school division:

24 (1) The provisions of subsection (b) requiring voter approval for
 25 the contracting of certain classes of debt shall be applicable in that
 26 part of an independent school division within any county subject to
 27 the requirement.

28 (2) The provisions of subsection (a) imposing the limitation that

1 indebtedness shall not exceed ten per centum of the assessed valuation
2 of real estate in a locality shall be applicable to the combined
3 indebtedness of the locality and that part of an independent school
4 division within the locality subject to the limitation. The General
5 Assembly shall provide by general law how the debt limitation shall be
6 allocated between the debt of the independent school division and the
7 debt of the locality or localities.

8 (3) If an independent school division contains both areas for
9 which the subsection (a) limitation is applicable and areas for which
10 it is not applicable, the General Assembly shall provide by general
11 law for the proration of debt issued by the division so that an
12 appropriate portion of such debt is allocated to the areas subject to
13 the subsection (a) limitation.

14 ARTICLE VIII.

15 EDUCATION.

16 Section 7. School boards.--The supervision of schools in each
17 school division shall be vested in a school board, to be composed of
18 members selected in the manner, for the term, possessing the
19 qualifications, and to the number provided by law.

20 The General Assembly may provide by law for the establishment of
21 independent school divisions with the power to tax for school purposes
22 and may grant to the school boards of independent school divisions
23 powers to appropriate funds, impose taxes, and contract debt for
24 school purposes.

25 ARTICLE X.

26 TAXATION AND FINANCE.

27 Section 1. Taxable property; uniformity; classification and
28 segregation.--All property, except as hereinafter provided, shall be

1 taxed. All taxes shall be levied and collected under general laws and
 2 shall be uniform upon the same class of subjects within the
 3 territorial limits of the authority levying the tax, except that the
 4 General Assembly may provide for differences in the rate of taxation
 5 to be imposed upon real estate by a city ~~or~~ , town , or independent
 6 school division containing such city or town, within all or parts of
 7 areas added to its territorial limits, or by a new unit of general
 8 government or independent school division , within its area, created
 9 by or encompassing two or more, or parts of two or more, existing
 10 units of general government or school divisions . Such differences in
 11 the rate of taxation shall bear a reasonable relationship to
 12 differences between nonrevenue producing governmental services giving
 13 land urban character which are furnished in one or several areas in
 14 contrast to the services furnished in other areas of such unit of
 15 government.

16 The General Assembly may define and classify taxable subjects.
 17 Except as to classes of property herein expressly segregated for
 18 either State or local taxation, the General Assembly may segregate the
 19 several classes of property so as to specify and determine upon what
 20 subjects State taxes, and upon what subjects local taxes, may be
 21 levied.

22 Section 2. Assessments.--All assessments of real estate and
 23 tangible personal property shall be at their fair market value, to be
 24 ascertained as prescribed by law. The General Assembly may define and
 25 classify real estate devoted to agricultural, horticultural, forest,
 26 or open space uses, and may by general law authorize any county, city,
 27 town, independent school division, or regional government to allow
 28 deferral of, or relief from, portions of taxes otherwise payable on

1 such real estate if it were not so classified, provided the General
 2 Assembly shall first determine that classification of such real estate
 3 for such purpose is in the public interest for the preservation or
 4 conservation of real estate for such uses. In the event the General
 5 Assembly defines and classifies real estate for such purposes, it
 6 shall prescribe the limits, conditions, and extent of such deferral or
 7 relief. No such deferral or relief shall be granted within the
 8 territorial limits of any county, city, town, independent school
 9 division, or regional government except by ordinance or resolution
 10 adopted by the governing body thereof.

11 So long as the Commonwealth shall levy upon any public service
 12 corporation a State franchise, license, or other similar tax based
 13 upon or measured by its gross receipts or gross earnings, or any part
 14 thereof, its real estate and tangible personal property shall be
 15 assessed by a central State agency, as prescribed by law.

16 § 6. Exempt property.--(a) Except as otherwise provided in this
 17 Constitution, the following property and no other shall be exempt from
 18 taxation, State and local, including inheritance taxes:

19 (1) Property owned directly or indirectly by the Commonwealth or
 20 any political subdivision thereof, and obligations of the Commonwealth
 21 or any political subdivision thereof exempt by law.

22 (2) Real estate and personal property owned and exclusively
 23 occupied or used by churches or religious bodies for religious worship
 24 or for the residences of their ministers.

25 (3) Private or public burying grounds or cemeteries, provided the
 26 same are not operated for profit.

27 (4) Property owned by public libraries or by institutions of
 28 learning not conducted for profit, so long as such property is

1 primarily used for literary, scientific, or educational purposes or
2 purposes incidental thereto. This provision may also apply to
3 leasehold interests in such property as may be provided by general
4 law.

5 (5) Intangible personal property, or any class or classes
6 thereof, as may be exempted in whole or in part by general law.

7 (6) Property used by its owner for religious, charitable,
8 patriotic, historical, benevolent, cultural, or public park and
9 playground purposes, as may be provided by classification or
10 designation by a three-fourths vote of the members elected to each
11 house of the General Assembly and subject to such restrictions and
12 conditions as may be prescribed.

13 (7) Land subject to a perpetual easement permitting inundation by
14 water as may be exempted in whole or in part by general law.

15 (b) The General Assembly may by general law authorize the
16 governing body of any county, city, town, independent school division,
17 or regional government to provide for the exemption from local
18 property taxation, or a portion thereof, within such restrictions and
19 upon such conditions as may be prescribed, of real estate and personal
20 property designed for continuous habitation owned by, and occupied as
21 the sole dwelling of, persons not less than sixty-five years of age or
22 persons permanently and totally disabled as established by general law
23 who are deemed by the General Assembly to be bearing an extraordinary
24 tax burden on said property in relation to their income and financial
25 worth.

26 (c) Except as to property of the Commonwealth, the General
27 Assembly by general law may restrict or condition, in whole or in
28 part, but not extend, any or all of the above exemptions.

1 (d) The General Assembly may define as a separate subject of
2 taxation any property, including real or personal property, equipment,
3 facilities, or devices, used primarily for the purpose of abating or
4 preventing pollution of the atmosphere or waters of the Commonwealth
5 or for the purpose of transferring or storing solar energy, and by
6 general law may allow the governing body of any county, city, town,
7 independent school division, or regional government to exempt or
8 partially exempt such property from taxation, or by general law may
9 directly exempt or partially exempt such property from taxation.

10 (e) The General Assembly may define as a separate subject of
11 taxation household goods, personal effects and tangible farm property
12 and products, and by general law may allow the governing body of any
13 county, city, town, independent school division, or regional
14 government to exempt or partially exempt such property from taxation,
15 or by general law may directly exempt or partially exempt such
16 property from taxation.

17 (f) Exemptions of property from taxation as established or
18 authorized hereby shall be strictly construed; provided, however, that
19 all property exempt from taxation on the effective date of this
20 section shall continue to be exempt until otherwise provided by the
21 General Assembly as herein set forth.

22 (g) The General Assembly may by general law authorize any county,
23 city, town, independent school division, or regional government to
24 impose a service charge upon the owners of a class or classes of
25 exempt property for services provided by such governments.

26 (h) The General Assembly may by general law authorize the
27 governing body of any county, city, town, independent school division,
28 or regional government to provide for a partial exemption from local

1 real property taxation, within such restrictions and upon such
2 conditions as may be prescribed, of real estate whose improvements, by
3 virtue of age and use, have undergone substantial renovation,
4 rehabilitation or replacement.

5 (i) The General Assembly may by general law allow the governing
6 body of any county, city, ~~or~~ town, or independent school division to
7 exempt or partially exempt from taxation any generating equipment
8 installed after December thirty-one, nineteen hundred seventy-four,
9 for the purpose of converting from oil or natural gas to coal or to
10 wood, wood bark, wood residue, or to any other alternate energy source
11 for manufacturing, and any co-generation equipment installed since
12 such date for use in manufacturing.

13 Section 10. Lending of credit, stock subscriptions, and works of
14 internal improvement.--Neither the credit of the Commonwealth nor of
15 any county, city, town, independent school division, or regional
16 government shall be directly or indirectly, under any device or
17 pretense whatsoever, granted to or in aid of any person, association,
18 or corporation; nor shall the Commonwealth or any such unit of
19 government subscribe to or become interested in the stock or
20 obligations of any company, association, or corporation for the
21 purpose of aiding in the construction or maintenance of its work; nor
22 shall the Commonwealth become a party to or become interested in any
23 work of internal improvement, except public roads and public parks, or
24 engage in carrying on any such work; nor shall the Commonwealth assume
25 any indebtedness of any county, city, town, independent school
26 division, or regional government, nor lend its credit to the same.
27 This section shall not be construed to prohibit the General Assembly
28 from establishing an authority with power to insure and guarantee

1 loans to finance industrial development and industrial expansion and
2 from making appropriations to such authority.

3 #

APPENDIX D

OTHER STATES' SCHOOL FINANCING PROVISIONS

The Subcommittee requested background information on other states' treatment of fiscally independent school systems where the school division itself taxes residents to support school programs and the traditional county or municipal government taxes residents for other government services. States with fiscally dependent school systems are listed in this summary with information to show only the method of school board selection.

The information given is taken from several sources: state constitutional provisions; the U.S. Bureau of the Census, Finances of Public School Systems in 1985-86 and the 1982 Survey of Governmental Organization (Vol. 1, 1982 Census of Governments); and miscellaneous state study reports. The survey does not purport to be comprehensive, but it does show the wide variation in provisions governing taxation and borrowing by the fiscally independent school systems.

One conclusion that can be drawn from this preliminary review is that any proposal to introduce independent school systems in Virginia should be drafted with primary emphasis on existing patterns of government in the Commonwealth and the effect of adding another layer of government to the existing system. No one program from another state fits the Virginia system. At most a survey of other states' systems provides alternative provisions that can be considered and used or rejected depending on the pattern of government in Virginia. For example, school divisions in Virginia usually consist of one city or one county which is not the case in many states. The Subcommittee was in agreement that the present Virginia pattern should be retained and that the school division should be coterminous with the county or city in most instances. Also, Virginia has varied bond issue requirements for counties and cities which must be considered in drafting provisions for independent school divisions.

ALABAMA

Majority of school boards elected; governing bodies appoint city school boards.
All fiscally independent.

Special state property tax for school fund; 30 cents per \$100 of taxable property.
County tax for schools; 30 cents per \$100 of taxable property if approved by majority of voters in county or district. Limit on state-local levies for all purposes of \$1.25 per \$100.
Numerous special, local limit provisions.

ALASKA

All school boards elected.
All fiscally dependent.

ARIZONA

All school boards elected.
All fiscally independent.

School debt limited to 6% of value of taxable property without voter approval and to 15% with voter approval; limit on school expenditures set by legislature which may be exceeded if approved by a majority of electors in the district.

ARKANSAS

All school boards elected.
All fiscally independent.

Board of directors for school division proposes budget and tax levy 60 days before election. Levy takes effect if approved. If levy is not approved, prior levy continues in effect.

CALIFORNIA

Most school boards elected; city council appoints board in Sacramento.
All fiscally independent.

In provisions on property taxes, ceiling of 1% of "full cash value" for any ad valorem tax on real property. The county's 1% is collected by the county and apportioned according to law to districts within the county. Cities, counties and special districts must have two-thirds voter approval before imposing special taxes other than real property taxes. Voter approval required for bond issues.

COLORADO

All school boards elected.
All fiscally independent.

School board empowered to levy taxes for school purposes and to issue general obligation bonds after voter approval.

CONNECTICUT

All school boards elected.
All fiscally dependent.

DELAWARE

Majority of school boards elected; Dupont School District board appointed by judges and vocational-technical school district boards appointed by governor.
All fiscally independent.

Majority of district voters must approve purpose of tax levy before property tax receipts can be used in a public school district and must vote to approve bond issue.

FLORIDA

All school boards elected.
All fiscally independent.

Ad valorem tax levies for school purposes are limited to \$1.00 per \$100; voters must approve school bond issues.

GEORGIA

Majority of school boards elected; most city school board members appointed by council.
All fiscally independent.

School board certifies to its fiscal authority or authorities a school tax of not more than \$2.00 per \$100 and the authority shall levy the tax; majority of voters in school district may approve a levy in excess of the limit; board may issue bonds.

HAWAII

All school boards elected.
All fiscally dependent (state system).

IDAHO

All school boards elected.
All fiscally independent.

May levy local school taxes and issue bonds.

ILLINOIS

Majority of school boards elected; Chicago board appointed by mayor; special charter districts have option.
All fiscally independent.

May levy taxes and General Assembly may provide for the fair apportionment of the burden of taxation of property for a school district covering more than one county; no debt can be authorized payable in more than 40 years.

INDIANA

Majority of school boards elected; most municipal school boards appointed by mayor or council.
All fiscally independent.

May levy local school taxes and borrow money.

IOWA

All school boards elected.
All fiscally independent.

May issue bonds after local referendum and may levy school taxes.

KANSAS

All school boards elected.
All fiscally independent.

Authorized to levy school taxes and to issue bonds with the approval of the voters.

KENTUCKY

All school boards elected.
All fiscally independent.

Authorized to levy school taxes and to issue bonds with the approval of the voters.

LOUISIANA

All school boards elected.
All fiscally independent.

May levy property taxes and acreage taxes, and may issue bonds with voter approval.

MAINE

Some school boards elected; boards of community school districts for two or more towns selected by and from town boards.
Some fiscally independent; majority fiscally dependent.

Legislature empowered to provide for property tax levies by school districts in accordance with legislatively mandated cost sharing formula and to regulate local borrowing capacity; in community districts, school board determines tax requirements subject to majority voter approval of each town and towns collect taxes; may issue bonds with voter approval.

MARYLAND

Most school boards appointed; one-third elected.
All fiscally dependent.

MASSACHUSETTS

All school boards elected.
Most fiscally dependent; some consolidated independent districts.

Consolidated districts may issue bonds and determine fiscal needs with tax levies made by participating towns.

MICHIGAN

Most school boards elected.
All fiscally independent.

Property tax limitation may be increased for school district by majority voter approval up to \$1.80 per \$100; limit not applicable to debt service of debt approved by voters.

School district for two or more counties may levy taxes at the highest rate permitted in the county where the greatest part of the district's area is located.

Tax levies and bond issues usually subject to voter approval.

MINNESOTA

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds.

MISSISSIPPI

Majority of school boards elected; municipal school boards appointed by council.
All fiscally independent.

School board determines amount of taxes to be levied for school purposes; county or city issues bonds at request of school district.

MISSOURI

All school boards elected.
All fiscally independent.

May levy taxes subject to constitutional limit (limit for municipal school district of \$1.25 per \$100 of assessed value and for county school district of 65 cents per \$100); majority of district voters may approve higher limit (up to three times stated limit); if board proposes levy requiring voter approval and voters reject increase, prior levy remains in effect.

May issue bonds subject to constitutional limits and voter approval in certain cases.

MONTANA

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds subject to debt limits set by legislation.

NEBRASKA

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds.

NEVADA

All school boards elected.
All fiscally independent.

May levy local school taxes and issue bonds with the approval of the voters.

NEW HAMPSHIRE

Most school boards elected; option in nine cities for appointed board.
Most fiscally independent; nine fiscally dependent.

May determine fiscal needs and issue bonds.

NEW JERSEY

Most school boards elected; option in larger cities for appointment by mayor or chief executive officer.
Fiscally independent if elected; fiscally dependent if appointed.

May determine local school tax levies and issue bonds with the approval of the voters.

NEW MEXICO

All school boards elected.
All fiscally independent.

School district may borrow for school capital projects with majority voter approval, subject to limit of 6% of the assessed value of taxable property within the district.

NEW YORK

Most school boards elected; New York City and several other cities have appointed boards.
Most fiscally independent.

Certain school districts are limited to borrowing for school purposes up to 5% of the full value of real property in the district; can increase limit with 60% voter approval and consent of certain state officers.

NORTH CAROLINA

Most school boards elected; appointed in one-third of cities which generally have option to elect or appoint.
All fiscally dependent.

NORTH DAKOTA

All school boards elected.
All fiscally independent.

School districts are limited to borrowing for school purposes up to 5% of the assessed value of taxable property in the district; can increase limit with majority voter approval.

OHIO

All school boards elected.
All fiscally independent.

May levy taxes subject to limit of 1% of true value of taxable property; may exceed tax limit if majority of voters approve; may issue bonds.

OKLAHOMA

All school boards elected.
All fiscally independent.

Various limits on property taxes; limit of \$1.50 per \$100 of value on levies certified by action of school board alone; additional levy of \$1.50 per \$100 allowed if majority of voters approve for emergency levy or for local support levy.
School district debt limited to 5% of value of taxable property and to an additional 5% of such value if approved by three-fifths of the voters.

OREGON

All school boards elected.
All fiscally independent.

Bond issue limits are set by statute.
School districts may levy taxes at prior year's level; increase in tax levy requires approval by majority of voters; annual increase allowed.

PENNSYLVANIA

Most school boards elected.
All fiscally independent.

May levy taxes.
General Assembly prescribes debt limits by law; debt limit to be set as percentage of total district revenue; bonds approved in a referendum are not subject to limit.

RHODE ISLAND

Most school boards elected.
All fiscally dependent.

SOUTH CAROLINA

Majority of school boards elected; over 40% appointed.
Mix of fiscally independent and dependent systems with extensive local option provisions.

County governing body retains role in local budget review process, but final budgetary approval varies from county to county. Special acts set tax rates.
Bond issues subject to voter approval or certain state controls.

SOUTH DAKOTA

All school boards elected.
All fiscally independent.

Legislature required to provide for tax levies by school corporations and authorized to classify property in school districts for school tax purposes.
School district debt is not to exceed 10% of assessed value of taxable property in the district and must be approved by referendum.

TENNESSEE

Two-thirds of school boards elected; one-third appointed.
All fiscally dependent.

TEXAS

Almost all school boards elected; industrial training school districts have certain appointed members.
All fiscally independent.

Tax levies subject to certain limits on increases and to voter approval in certain cases; school taxes are excepted from general limits on property taxes; bond issues subject to voter approval in certain cases.

UTAH

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds subject to limit that school district indebtedness shall not exceed 4% of value of taxable property.

VERMONT

All school boards elected.
All fiscally independent.

Final approval of fiscal measures by mass school district meeting.

VIRGINIA

All school boards appointed.
All fiscally dependent.

WASHINGTON

All school boards elected.
All fiscally independent.

May levy taxes subject to three-fifths majority voter approval or overall cap on tax levies.
May issue bonds subject to voter approval up to 5% of the value of assessed property in district.

WEST VIRGINIA

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds, subject to voter approval in certain cases.

WISCONSIN

All school boards elected.
All fiscally independent.

May levy taxes and issue bonds.

WYOMING

All school boards elected.
All fiscally independent.

Counties levy one tax for school purposes payable to school districts; school district boards may levy additional special property tax.
School district debt limited to 10% of assessed value of taxable property (compared to 4% limit for municipal bonds and 2% for county bonds).