



# COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

P.O. Box 2120

Richmond, Virginia 23218-2120

**JO LYNNE DEMARY, Ed.D.**  
Superintendent of Public Instruction

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December 23, 2004

The Honorable John H. Chichester  
Chairman, Senate Finance Committee  
Virginia General Assembly  
P.O. Box 904  
Fredericksburg, Virginia 22404

The Honorable Vincent F. Callahan, Jr.  
Chairman, House Appropriations Committee  
Virginia General Assembly  
P.O. Box 1173  
McLean, Virginia 22101

Dear Sirs:

Pursuant to Item 146 A. 4. b.1) of the 2004 Appropriation Act (Chapter 4, 2004 Acts of Assembly, Special Session I), I am required to report on the composite indices approved by the Governor and the Board of Education under this provision. Item 146 A. 4. b.1) reads in part:

*"Pursuant to §15.2-1302, Code of Virginia, and 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, such resulting division shall be paid Standard of Quality payments for all pupils in the combined division on the basis of a composite index determined by the Board of Education, which shall not be less than the lowest nor higher than the highest composite index of any of the individual school divisions involved in such consolidation. In the event of a consolidation of local governments, this index shall remain in effect for a period of fifteen years, unless a lower composite index is calculated through the process for computing an index figure for each locality 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...."*

As you may be aware, the City of Clifton Forge reverted from city to town status effective July 1, 2001. This reversion to town status resulted in a consolidation of the school divisions of Alleghany County and what was the City of Clifton Forge into a single school division under the authority of Alleghany County. In accordance with the appropriation act, a new index for the consolidated school division was recommended by the Board of Education and approved by Governor Gilmore with an effective date of July 1, 2001.

At its meeting in May 2001, the Board of Education considered three options.

- Option 1: higher of the two composite indices or 0.3354 (Alleghany County's index). Estimated state impact = \$308,486 in state savings.
- Option 2: lower of the two composite indices or 0.2423 (Clifton Forge City's index). Estimated state impact = \$949,253 in state cost.
- Option 3: a blended composite index of 0.3128 (the data for Alleghany County and the City of Clifton Forge were combined in calculating the composite index). Estimated state impact = \$3,164 in state savings.

At the time of the Board of Education's recommendation and the approval by Governor Gilmore, the Commonwealth faced a difficult fiscal environment. Consequently, the Board of Education decided to implement an index that was essentially cost neutral to the state and to the local government. The Board voted to adopt option 3, in which the constituent elements of Alleghany County and the City of Clifton Forge were blended to derive a single index. The net impact of this option to the state was estimated to be a savings of \$3,164 in fiscal year 2002. The resulting local impact for Alleghany County was an increase in required local matching funds of \$3,164.

Since that time, the commonwealth's economy has improved and the state cost to implement the lowest composite index equivalent to that described in option 2 above has declined to approximately \$336,373 in fiscal year 2005 and \$357,034 in fiscal year 2006. In consideration of these changes, Alleghany County public schools requested that the Board of Education reconsider its earlier decision and vote to adopt the lowest possible index of 0.2423, which had been the index assigned to the City of Clifton Forge just prior to consolidation.

At its meeting on June 23, 2004, the Board of Education voted to approve the lowest composite index (0.2423) for the consolidated division with a proposed effective date of July 1, 2004. Governor Warner then approved the revised composite index of 0.2423 for Alleghany County public schools on July 13, 2004. Since the Governor's approval, all payments to Alleghany County Public Schools have been made using the revised composite index.

The budget amendments recently proposed by Governor Warner to the 2005 General Assembly included additional funding in fiscal years 2005 and 2006 to pay the state share of cost for the lower composite index of 0.2423 for Alleghany County. In addition, the Governor proposed a language amendment that would make the composite index adjustment effective July 1, 2004.

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Please do not hesitate to call me at (804) 225-2023 if you have any questions regarding this letter. You may also call Dan Timberlake, assistant superintendent for finance, at (804) 225-2025, if his assistance is needed.

Sincerely,



Jo Lynne DeMary

C: The Honorable Mark R. Warner  
The Honorable Belle S. Wheelan