

Governor McDonnell to Undo Proposed Freeze of Local Composite Index

FOR IMMEDIATE RELEASE

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-Introduced Budget Froze LCI for First Time -

Governor Identifies Savings to Allow for Annual Update to Index

RICHMOND- Governor Bob McDonnell announced today that he will support updating the Local Composite Index (LCI), the formula which determines state and local education funding responsibility, in the upcoming budget. The move will mean another proposed change to the introduced budget, which froze the LCI at its current level. The LCI has historically always been adjusted every two years to account for changing local economic conditions. The proposal to freeze the Index was unprecedented, and would have cost certain localities in Northern Virginia \$128.3 million in state education funding.

Speaking about his decision, Governor McDonnell stated, "For nearly forty years, the Local Composite Index has been an impartial means by which to determine state and local responsibility for education funding in Virginia. The application of this Index has always been done in an objective manner, using the most recent fiscal data to most fairly apportion state resources. For many school districts, particularly in Northern Virginia, the biennial update of the Index has meant far less funding from the state than that received by school districts in localities experiencing lesser rates of economic growth. Accordingly, I will not support the proposed freeze in the budget introduced by the previous Administration. The Local Composite Index must be applied to all localities, at all times, in the same objective and fair manner by which it has always been utilized."

McDonnell continued, "The decision to continue to update the Local Composite Index is one that I reached after extensive meetings with my finance staff, legislators, and local government officials. I thank all these individuals for their input and thoughts during the process. Ensuring that we have a fair formula that is implemented without regard to temporary or political considerations is the best means by which to appropriate education funding in the Commonwealth. Every time the Index is readjusted some school systems gain funding, while others receive less. This has occurred for nearly forty years, and local officials understand the routine and objective biennial implementation of the Index."

In announcing his decision to undo the proposed freeze of the Index, McDonnell also identified specific budget savings to account for the additional state spending required. The update will cost the state \$29 million in FY 2011. To cover this increased funding, McDonnell will recommend to the General Assembly the transfer of \$13 million from Literary Fund balances; \$8 million through the use of available balances in the Health Insurance Fund to reduce state health insurance premiums; \$5.2 million will be found in Real ID savings and an available \$3 million will be captured in additional Non-General Fund balances. Budget recommendations will continue to be made and communicated to the legislature in the coming days.

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