

This week Governor McDonnell surprised many localities around the Commonwealth when he announced he supported “thawing” the proposed freeze of the local composite index readjustment. In preparation for crossover next week, Committees began considering bills at a frenzied pace. Proponents of creating a bipartisan redistricting commission now have only one legislative vehicle alive that will accomplish their goal prior to redistricting taking place next year, and the Senate Finance Committee looks favorably upon taxing some online transactions. The highlights this week are:

Bipartisan Redistricting

Several bills creating bipartisan redistricting commissions were introduced this year in the House and Senate. The House bills were all killed this week in a House Privileges and Elections subcommittee just as similar proposals have been over the last two years. In the Senate Privileges and Elections Committee, several similar bills were rolled into Senator Deeds’ redistricting commission bill, which was sent on to the full Senate. It is likely to pass the Senate, but will likely be referred to the same House subcommittee that killed the house redistricting commission this week. Senator Deeds’ bill represents the last opportunity to create a bipartisan redistricting commission prior to the redistricting process that will otherwise occur during the 2011 General Assembly Session.

The “Amazon Bill”

Brick and mortar retailers have long resented the fact that their online counterparts are not required to collect the Commonwealth’s sales tax on transactions that take place within the state. In previous years, lobbyists for the brick and mortar shops have referred to legislation that forces online retailers to collect the tax as “sales tax equalization” legislation. This year, they’ve chosen to call it the “Amazon bill” after online retailer Amazon.com. While the Amazon bill is slightly different than previous version of the legislation, it seeks to accomplish the same goal: collecting sales tax on online transactions. This week, the Senate Finance Committee voted 14-1 to send the bill to the full Senate, where it will be voted on next week.

Local Composite Index

Until very recently, most folks probably had not ever heard of the local composite index; the formula used by the state to calculate state aid to local school systems. The index takes into account several factors including local real estate tax assessments, local sales tax receipts, and local adjusted gross income and is intended to calculate a locality’s ability to fund its school system. Running state funding for education through the index results in less wealthy localities receiving a higher percentage of the state’s available funding for k-12 education and more wealthy localities receiving a lower percentage of the state’s available funding, thus “equalizing” overall funding by giving more state dollars to the localities that are least able to fully fund their school systems. The local composite index, known generally in government parlance as the “LCI”, has existed for 40 years, and it is required by the Code to be adjusted every other year, including this year, to reflect the latest economic conditions in the Commonwealth.

This year’s adjustment to the LCI results in most localities receiving less state money to fund k-12 education. In fact, most of the localities that gain funding are in Northern Virginia,

and they are scheduled to receive \$128 million in additional state funding. Systems in our region will lose more than \$17 million in state funding (in addition to the cuts already announced by local school systems) as a result of the change, as follows:

- City of Richmond loses \$11 million
- Chesterfield County loses \$3.4 million
- Hanover County loses \$750,000
- Henrico County loses \$1.3 million
- Charles City County loses \$24,000
- New Kent County loses \$420,000
- Powhatan County loses \$460,000
- Goochland County **gains** \$4,800

Governor Kaine's introduced budget pushes off the readjustment of the local composite index for one year, allowing our local systems to keep this funding for one additional year before accepting the cuts. This week, Governor McDonnell announced that he favors "unfreezing" the readjustment and doing it this year as per the traditional schedule, meaning that our systems would accept the cuts in the budgets they are drafting now. House and Senate budget writers must now determine whether they wish to include the adjustment in the first year of the biennial budget as per Governor McDonnell, or in the second year as per Governor Kaine. It will not be an easy decision for them, and their final budget would face the possibility of a veto of this section if it defers the adjustment.