



2024 - 2025

Budget Development Update

2024 - 2026 Local Composite Index -
Localities Ability To Pay

School Board Meeting
Thursday, January 4, 2024

Understanding the Local Composite Index (LCI)

- Determines distribution of all state K-12 funding except the sales tax school age population distribution
- Dates to the 1970's
- Intended to measure a locality's residents basic capacity or ability to pay for K-12 education versus other localities:
 - It does not measure or compare the actual level of revenue generated by a locality
 - It does not consider poverty level of the students served
- LCI computes the locality's relative state share of three revenue capacity indicators:
 - True market value of real estate (50%)
 - Virginia Adjusted Gross Income - VAGI (40%)
 - Taxable sales (10%)
- The revenue capacity indicators are then divided by a locality's relative share of the state's:
 - Public school ADM (66.6%)
 - Population (33.3%)

Understanding the LCI Calculation

- There is an adjustment to the standard calculation for localities with non-resident income above 3 percent of VAGI.
- The only changes adopted to the LCI since its inception have been adding the one-third population to the denominator in the 1980's, and later and the non-resident adjustment to VAGI.
- Sometimes hold-harmless funding is provided to help mitigate the impact of significant LCI changes in the first year of a new biennium. This is usually politically contentious, so difficult to count on until the state budget process is completed.
- After the weighted revenue factors are divided by the ADM and the population numbers, and the ADM and population components are added together, the total is multiplied by .45 to get the relative 45% local to 55% state weighted average share of SOW costs.

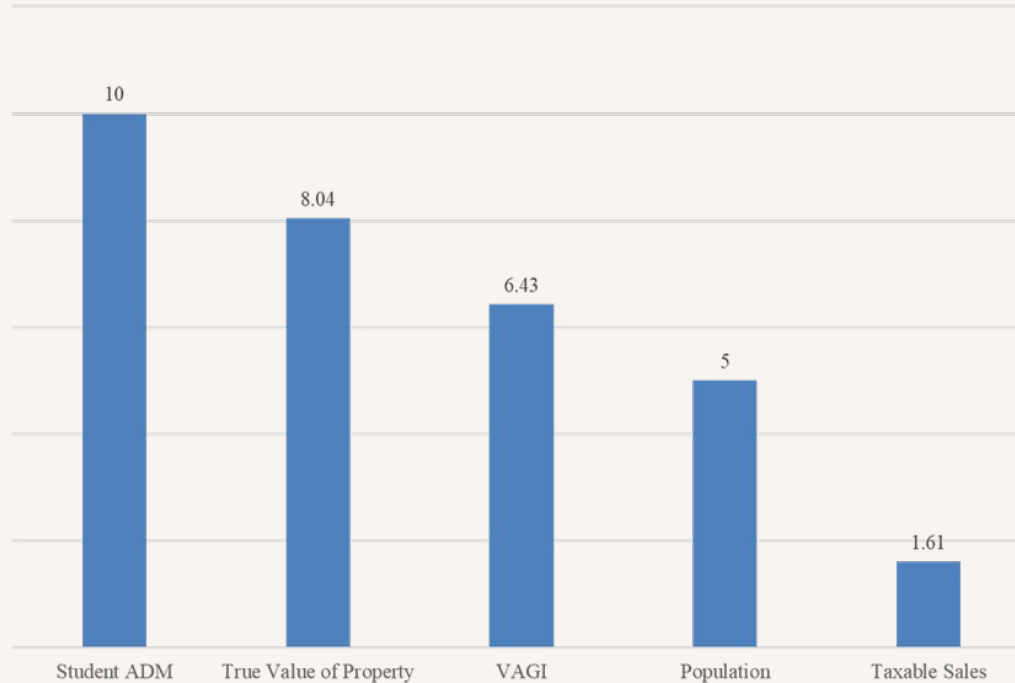
Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$



Relative Weight of the LCI Factors

ADM is the Most Important Component of the LCI
Relative Weighting on a Scale of 1-10



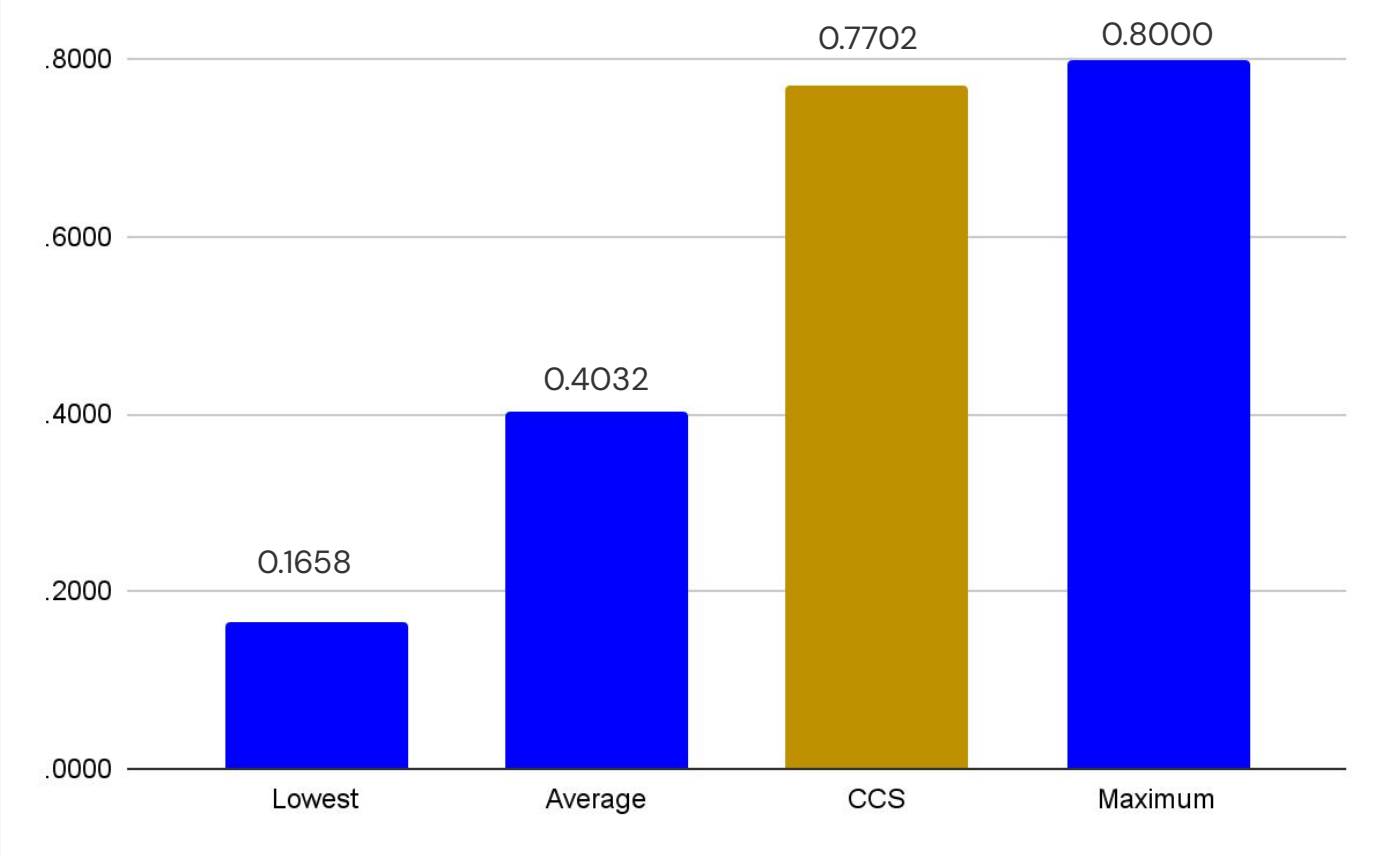
*Source: Jim Regimbal, Fiscal Analytics, Ltd. – VASS presentation December 2016

2024-26 Composite Index of Local Ability-to-Pay

Biennium Period	Based Year Indicators of Ability to Pay	Composite Index of Locality Ability to Pay	State Share
2024-2026	2021	0.7702	0.2298
2022-2024	2019	0.6952	0.3048
2020-2022	2017	0.6886	0.3114
2018-2020	2015	0.6772	0.3228
2016-2018	2013	0.6590	0.3410

- LCI increased 7.5 percent over 2022-24 biennium budget.
- Charlottesville is required to pay about 77.02 percent of the minimum educational program set by the state.
- State aid and sales tax provides only 22.98 percent toward the minimal state education program requirements.
- Actual impact of LCI changes can only be assessed using VDOE's "Calc Tool" issued with adopted and proposed budget.

2024-26 Composite Index of Local Ability to Pay



LCI Components: Indicators of Relative Populations to be Served

Trend Analysis of Composite Index Formula Components			
Change from 2022-24 (2019 base-year data) to 2024-26 (2021 base-year data)			
		AVERAGE DAILY MEMBERSHIP	
<i>DIVISION</i>		ABSOLUTE % CHANGE 2020 to 2022	DIVISION vs STATE AVERAGE CHANGE 2020 to 2022
104	CHARLOTTESVILLE	(5.43%)	(229)
	STATE AVERAGE	(3.21%)	(300)
		POPULATION	
<i>DIVISION</i>		ABSOLUTE % CHANGE 2019 to 2021	DIVISION vs STATE AVERAGE CHANGE 2019 to 2021
104	CHARLOTTESVILLE	3.86%	1,898
	STATE AVERAGE	1.41%	896

- Charlottesville's student (ADM) decreased significantly more than the state average while the general population increased significantly more than the state average.
- Charlottesville's rate of ADM loss is contributed to the pandemic. CCS experience a significant loss of students in FY 2021.

LCI Components: Indicators of Relative Wealth/Resources

Trend Analysis of Composite Index Formula Components				
Change from 2022-24 (2019 base-year data) to 2024-26 (2021 base-year data)				
		TRUE VALUE OF PROPERTY		
		ABSOLUTE	PER ADM	PER CAPITA
		% CHANGE	% CHANGE	% CHANGE
DIVISION		2019 to 2021	2019 to 2021	2019 to 2021
104	CHARLOTTESVILLE	19.45%	26.30%	15.01%
	STATE AVERAGE	18.46%	22.40%	16.82%
		ADJUSTED GROSS INCOME		
		ABSOLUTE	PER ADM	PER CAPITA
		% CHANGE	% CHANGE	% CHANGE
DIVISION		2019 to 2021	2019 to 2021	2019 to 2021
104	CHARLOTTESVILLE	84.24%	94.82%	77.39%
	STATE AVERAGE	36.37%	40.89%	34.47%
		TAXABLE RETAIL SALES		
		ABSOLUTE	PER ADM	PER CAPITA
		% CHANGE	% CHANGE	% CHANGE
DIVISION		2019 to 2021	2019 to 2021	2019 to 2021
104	CHARLOTTESVILLE	0.71%	6.50%	(3.03%)
	STATE AVERAGE	10.08%	13.74%	8.55%

When the Charlottesville number (blue) is higher than the State Average number (red), then the component puts upward pressure on the LCI, and visa versa.

LCI Comparisons

	Charlottesville	Albemarle	State
Average Daily Membership	-5.43%	-4.31%	3.21%
Population	3.86%	4.29%	1.41%
True Value of Property	19.45%	13.21%	18.46%
Adjusted Gross Income	84.24%	72.76%	36.37%
Taxable Retail Sales	0.71%	9.22%	10.08%
LCI 2024-2026 Rate	0.7702	0.6904	0.4032
LCI 2022-2024 Rate	0.6952	0.6387	0.4003

Budget Priorities

- Student Achievement
 - Literacy
 - Intervention – Alternative Pathways
 - Academic Learning & Resources (Small Classes, High Expectations)
- Building Modernization
- CATEC
- Compensation & Benefits
- Safety & Security

Key Budget Development Dates

January 18	School Board Work Session - Superintendent Presents Recommended Budget Changes
January 30	Community Budget Update
February 1	School Board Regular Meeting - Superintendent's Proposed Budget and Public Hearing
February 7	Joint Meeting with School Board and City Council to Discuss Budget
February 15	School Board Work Session
February 22	School Board Special Meeting - Approve Budget to City Council





Questions?

Appendix

COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA

Average Daily Membership (ADM) Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Division ADM}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Division ADM}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Division ADM}} \right]$$
$$\frac{\text{State True Values}}{\text{State ADM}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State ADM}}$$

Population Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right]$$
$$\frac{\text{State True Values}}{\text{State Population}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State Population}}$$

Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$

Calculation of the 2022-2024 Composite Index for CHARLOTTEVILLE

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Step 1 -- Calculation of the 2024-2026 Average Daily Membership Composite Index:

.5	$\frac{\text{Local True Values}}{\text{Division ADM}}$	+	.4	$\frac{\text{Local Adjusted Gross Income}}{\text{Division ADM}}$	+	.1	$\frac{\text{Local Taxable Retail Sales}}{\text{Division ADM}}$	=	ADM Composite Index
	$\frac{\text{Statewide Total of Local True Values}}{\text{Total State ADM}}$			$\frac{\text{Total State Adjusted Gross Income}}{\text{Total State ADM}}$			$\frac{\text{Total State Taxable Retail Sales}}{\text{Total State ADM}}$		
.5	$\frac{\$9,934,279,952}{3,991}$	+	.4	$\frac{\$2,540,566,549}{3,991}$	+	.1	$\frac{\$995,966,121}{3,991}$	=	ADM Composite Index
	$\frac{\$1,618,234,049,241}{1,210,567}$			$\frac{\$375,473,195,319}{1,210,567}$			$\frac{\$118,643,585,368}{1,210,567}$		
.5	$\frac{\$2,489,364}{\$1,336,757}$	+	.4	$\frac{\$636,623}{\$310,163}$	+	.1	$\frac{\$249,572}{\$98,007}$	=	ADM Composite Index
.5	1.8622	+	.4	2.0525	+	.1	2.5465	=	ADM Composite Index
	.9311	+	.8210	+	.2547	=	2.0068		

Calculation of the 2022-2024 Composite Index for CHARLOTTESVILLE

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Step 2 -- Calculation of the 2024-2026 Per Capita Composite Index:

$$.5 \left[\frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right] = \text{Per Capita Composite Index}$$

$$.5 \left[\frac{\text{Statewide Total of Local True Values}}{\text{State Population}} \right] + .4 \left[\frac{\text{Total State Adjusted Gross Income}}{\text{State Population}} \right] + .1 \left[\frac{\text{Total State Taxable Retail Sales}}{\text{State Population}} \right]$$

$$.5 \left[\frac{\$9,934,279,952}{51,079} \right] + .4 \left[\frac{\$2,540,566,549}{51,079} \right] + .1 \left[\frac{\$995,966,121}{51,079} \right] = \text{Per Capita Composite Index}$$

$$.5 \left[\frac{\$1,618,234,049,241}{8,655,608} \right] + .4 \left[\frac{\$375,473,195,319}{8,655,608} \right] + .1 \left[\frac{\$118,643,585,368}{8,655,608} \right]$$

$$.5 \left[\frac{\$194,489}{\$186,958} \right] + .4 \left[\frac{\$49,738}{\$43,379} \right] + .1 \left[\frac{\$19,499}{\$13,707} \right] = \text{Per Capita Composite Index}$$

$$.5 \left[1.0403 \right] + .4 \left[1.1466 \right] + .1 \left[1.4225 \right] = \text{Per Capita Composite Index}$$

$$.5202 + .4586 + .1423 = 1.1211$$

Step 3 -- Combining of the Two 2024-2026 Indices of Ability-to-Pay:

$$(.6667 \times \text{ADM Composite Index}) + (.3333 \times \text{Per Capita Composite Index}) = \text{Local Composite Index}$$

$$(.6667 \times 2.0068) + (.3333 \times 1.1211) = \text{Local Composite Index}$$

$$1.3379 + .3737 = \text{Local Composite Index}$$

Step 4 -- Final Composite Index (adjusted for nominal state/local shares)

$$(1.7116) \times 0.45 = \mathbf{.7702}$$

Input Data:	
Source Data Used in the Calculation:	
School Division:	CHARLOTTESVILLE
Local True Value of Property	\$9,934,279,952
Local AGI	\$2,540,566,549
Local Taxable Retail Sales	\$995,966,121
Division ADM	3,991
Local Population	51,079
State True Value of Property	\$1,618,234,049,241
State AGI	\$375,473,195,319
State Taxable Retail Sales	\$118,643,585,368
State ADM	1,210,567
State Population	8,655,608