

K-12 EDUCATION FUNDING

Virginia's K-12 Funding Formula, 2023

Technical SOQ adjustments ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act directing the following technical adjustments to the Standards of Quality (SOQ) formula and compensation supplement calculations: (i) include all division central office positions in the SOQ formula, (ii) apply the cost of competing adjustment to facility and transportation staff salaries in the SOQ formula, (iii) remove the cap on adjustments to non-personal cost assumptions in the benchmarking process in the SOQ formula, and (iv) account for cost of facilities staff salaries in compensation supplement calculations. (Recommendation 1 – near term)

New SOQ staffing ratios ► The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to develop and propose a new set of fixed and prevailing staffing ratios for the Standards of Quality formula, in consultation with school divisions and the Board of Education, which should accurately reflect how divisions are staffed and be simpler, easier to apply, and comprehensive. (Recommendation 2 – long term)

New SOQ staffing ratios ► The General Assembly may wish to consider amending the Code of Virginia and Appropriation Act to establish Standards of Quality staffing ratios developed by the Virginia Department of Education, in consultation with school divisions and the Board of Education, that accurately reflect how divisions are staffed. (Recommendation 3 – long term)

Eliminating recession-era SOQ formula changes ► The General Assembly may wish to consider including language in the Appropriation Act that directs the following changes to the Standards of Quality formula: (i) eliminate the support cap, (ii) re-instate the non-personal cost categories removed in FY09 and FY10, and (iii) re-instate the federal fund deduction methodology used prior to FY09. (Recommendation 4 – near term)

Updating salary cost assumptions used in rebenchmarking ► The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to update the cost assumptions for school division employee salaries used in the biennial Standards of Quality rebenchmarking process to better reflect current salaries paid by school divisions. (Recommendation 5 – long term)

SOQ salary assumptions ► The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to calculate salary and other Standards of Quality formula cost assumptions using the division average, rather than the linear weighted average. (Recommendation 6 – near term)

Local composite index calculations ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to change the local composite index to be calculated using a three-year average of the most recently available data, rather than a single year of data every other year. (Recommendation 7 – near term)

Adding At-Risk Add-On program to the SOQs ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to designate the At-Risk Add-On program as a Standards of Quality funding program, in recognition that the funding is essential for providing Virginia K–12 students with a quality education. (Recommendation 8 – near term)

At-risk program funding calculations ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to direct use of the federally approved Identified Student Percentage measure to calculate funding for all at-risk programs that currently rely on the outdated free lunch estimates. (Recommendation 9 – near term)

Consolidating at-risk programs ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to consolidate the At-Risk Add-On program and Prevention, Intervention, Remediation program and create a new At-Risk Program under the Standards of Quality. Funding for the new At-Risk Program would be allocated based on each school division’s weighted Identified Student Percentage, and 60 percent of funding would be distributed to divisions using a flat per student rate and 40 percent would be distributed using a variable rate based on the concentration of poverty in each school division. (Recommendation 10 – near term)

Special education staffing needs ► The General Assembly may wish to consider including language in the Appropriation Act requiring the Virginia Department of Education to work with school division staff and experts as needed to develop new special education staffing needs estimates based on a review of current ones and report its findings to the Board of Education, the House Committee on Education, and the Senate Committee on Education and Health. (Recommendation 11 – near term)

Replacing cost of competing adjustment ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to replace the current cost of competing adjustment with a more accurate adjustment based on a Virginia cost of labor index that better accounts for differing labor costs across school divisions in calculating compensation funding through the Standards of Quality formula. (Recommendation 12 – long term)

Economies of scale adjustment for small divisions ► The General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act directing that the Standards of Quality formula include an economies of scale adjustment to provide additional funding to divisions with fewer than 2,000 students. (Recommendation 13 – long term)

Using SOQ formula to guide but not determine budget decisions ► The General Assembly may wish to consider amending the Code of Virginia to state that it shall consider the funding amounts calculated by the Standards of Quality (SOQ) formula when determining the amount of funding needed to maintain an educational program meeting the prescribed SOQs, but shall not be obligated to appropriate the amounts calculated by the formula. (Recommendation 14)

Directing staffing ratios authority to BOE ► If the Code of Virginia is amended to establish that the funding amounts calculated by the Standards of Quality formula serve only as a guide for needed funding, the General Assembly may wish to consider amending the Code of Virginia and including language in the Appropriation Act to eliminate current SOQ staffing standards and direct the Board of Education to establish all staffing ratios used in the SOQ formula. (Recommendation 15)

Ensuring fixed staffing ratios reflect actual practices ► The General Assembly may wish to consider amending the Code of Virginia to direct the Virginia Department of Education (VDOE) to biennially calculate, compare, and report on differences between the fixed staffing ratios in the SOQ formula and actual ratios in Virginia school divisions, so that fixed ratios can be regularly adjusted as needed. VDOE should report its findings to the Board of Education. (Recommendation 16)

SOQ IT application ► The General Assembly may wish to consider including funding in the Appropriation Act for the Virginia Department of Education to begin procuring a modern and more usable Standards of Quality funding information technology application. (Recommendation 17)

School division financial reporting system ► The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Education to work with school division finance directors to study the feasibility of implementing a secure, web-based reporting system for annual school reports. (Recommendation 18)

Modernizing IT application and financial reporting system ► The Virginia Department of Education should submit to the Department of Planning and Budget a decision package for modernizing its Standards of Quality funding information technology application and school division financial reporting system to be considered for the governor's introduced budget. The decision package should explain and itemize the cost of any consultants, procurements and additional full-time or contracted staff that are expected to be needed to modernize these systems. (Recommendation 19)

VDOE Office of Budget coordinator position ► The General Assembly may wish to consider including funding in the Appropriation Act for the Virginia Department of Education to create a position in the Office of Budget responsible for providing technical information and support to school division finance directors regarding (i) the annual financial reporting process and requirements and (ii) data critical for school division budgeting purposes, such as expected and actual amounts of state SOQ and non-SOQ funding. (Recommendation 20)

POLICY OPTIONS

Bringing Virginia teacher salaries to national average ► The General Assembly could develop and implement a funding plan to increase compensation supplements as needed to achieve the statutory goal of Virginia teacher salaries being at or above the national average. (Option 1)

Local composite index population weighting ► The General Assembly could amend the Code of Virginia and include language in the Appropriation Act directing that a locality's student enrollment and general population be equally weighted in the calculation of the local composite index for Standards of Quality funding, rather than weighting student enrollment two-thirds and the general population one-third. (Option 2)

Replacing LCI with a revenue composite index ► The General Assembly could amend the Code of Virginia and include language in the Appropriation Act directing the replacement of the local composite index with a revenue capacity index. (Option 3)

Student-based SOQ formula ► The General Assembly could amend the Code of Virginia to replace the entire staffing-based SOQ formula with a new student-based formula that is based on actual average school division expenditures. (Option 4)

Student-based formulas for special education and English language learners ► The General Assembly could amend the Code of Virginia to replace the current SOQ formula calculations for special education and English as a Second Language, including any associated calculations for benefits and payroll taxes under other SOQ accounts, with student-based funding calculations that are based on actual average school division expenditures. (Option 5)