

Joint Legislative Audit and Review Commission

The Virginia General Assembly

**State Funding
of the Regional
Vocational Education
Centers in Virginia**

**REPORT OF THE
JOINT LEGISLATIVE
AUDIT AND REVIEW COMMISSION ON**

**State Funding of the
Regional Vocational
Education Centers
in Virginia**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Preface

This report is the third in a series on elementary and secondary education in Virginia. The review of the funding of regional vocational education centers was required by House Joint Resolution 100 (1990).

Our analysis of the funding of the regional vocational centers resulted in several findings. First, the expenditure levels at the centers appear sufficient to enable the centers to provide high quality programs. Second, State funding support for the centers is substantial, with State Standards of Quality (SOQ) funding paying an average of 56 percent of regular day school operations. Moreover, State SOQ and categorical funding pays an average of 54 percent of total center budgets (excluding capital facility costs).

Third, the State provides limited funding for principal and assistant principals, and no funding for guidance counseling costs at the centers, because those positions are not required at the centers by State standards. The Board of Education should consider whether the standards should include those positions. Pending that review, the General Assembly may wish to allocate funds to fully finance a State share of the principal positions.

Fourth, the method of disbursing funds to the centers is inefficient, and could be improved. We have recommended a revised method for disbursing funds to the centers. Finally, the general methodology used to determine State funding for the centers is appropriate and consistent with the basis used to fund other vocational education programs in the State. Therefore, no change in the methodology is recommended at this time.

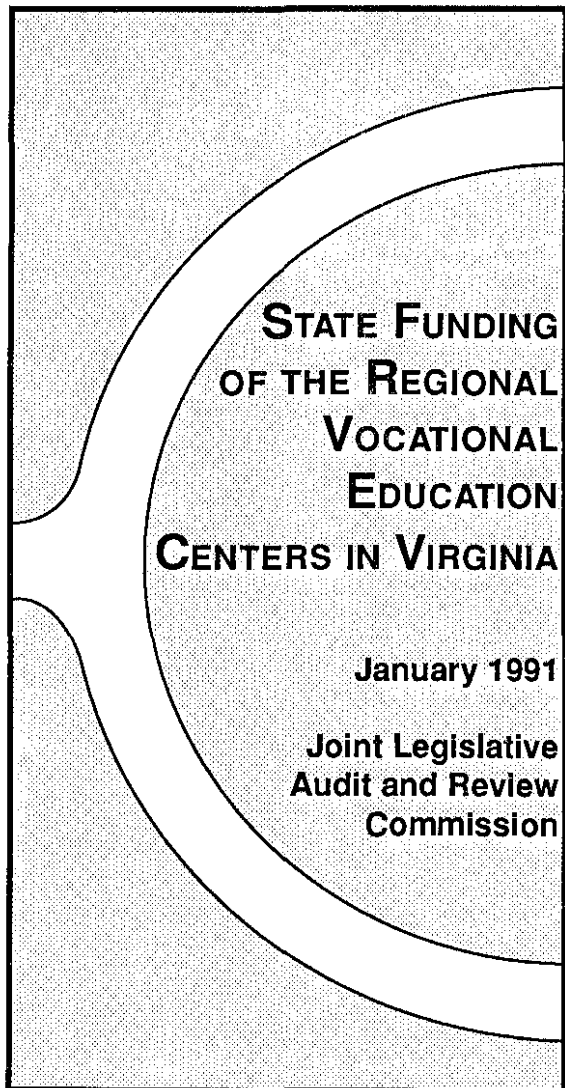
On behalf of the Commission staff, I wish to express our appreciation to the regional center staffs and their directors, and to the staff of the Department of Education, for their assistance in the completion of this report.



Philip A. Leone
Director

January 30, 1991

JLARC Report Summary



Participation by some Virginia school divisions in regional vocational centers began to develop in the mid-1960s. There are currently 11 regional vocational centers. In the 1989-90 school year, these centers provided vocational education programs to 4,908 regular day school pupils. Most center pupils attend the center for half of their school day. Instructional programs at the centers are varied, but typically include automechanics, welding,

horticulture, cosmetology, electronics, electricity, small engine repair, nursing, carpentry, masonry, data processing, drafting, food service, and air conditioning and refrigeration.

The Joint Legislative Audit and Review Commission (JLARC) was directed by House Joint Resolution 100 of the 1990 session to study the funding of the regional vocational centers. The resolution required JLARC to consider the State's commitment to provide quality education and funding methods that are efficient and economical.

This report was prepared to address HJR 100. The conclusions of the report are:

- Currently, the expenditure levels at the centers appear sufficient to enable the centers to provide high quality programs.
- State SOQ funding and other State aid reflect a substantial State commitment to support center costs.
- The State Board of Education should review the standards for the regional vocational centers to determine if standards requiring principals, assistant principals, and guidance counselors are appropriate and should be funded as part of the SOQ.
- Pending the Board of Education review, the General Assembly may wish to consider retaining a portion of the State supplemental payment to pay a State share of the compensation costs for center principals.

- State funds should go directly to the designated fiscal agents of the centers rather than to the school divisions.
- The general approach to calculating costs and State funding levels for the regional vocational centers appears appropriate and equitable.

Sufficiency of Current Expenditure Levels to Achieve Quality

JLARC staff visits to the regional centers indicated that, with some limited exceptions, all of the facilities appeared to be in good condition. Also, of the 11 regional center directors, between nine and 11 (depending on the item) indicated that they currently: have adequate classroom and workshop space; have a safe and pleasant environment for instruction; provide up-to-date training for students; have course materials, equipment, and machinery that are adequate in quantity and in good condition; and are generally satisfied with their total budgets. Center directors also indicated high employer satisfaction with the graduates of the centers. Student surveys from the Department of Education's VEEVA (Vocational Education Evaluation in Virginia) process indicate positive student attitudes about the quality of the centers.

State Commitment to Funding the Centers

While center directors indicated general satisfaction with their total budgets, the directors usually cited the support of the local school divisions and industry as the primary reason that their budgets are adequate. Perceptions at the local level that State support is low are based on revenue analyses indicating that State revenues support 20 percent or less of the center budgets. However, these revenue analyses are in error because they do not account for the largest source of State fund-

ing for the centers. Basic aid has not been included in the revenue analyses as a State revenue for the centers. This has occurred because the State has not separately identified this center funding.

The 1990 Appropriations Act directed the Department of Education to separately identify the State's Standards of Quality (SOQ) funding, which includes basic aid, for the regional vocational centers. The department has provided this information to participating school divisions, the center directors, and JLARC staff. Based on a comparison of data from DOE and data obtained from the regional centers, JLARC staff found:

- On average, State SOQ funding pays 56 cents per dollar in the regional center budgets for regular day school operations
- On average, State SOQ and categorical funding, even completely excluding a State supplemental payment, pays 54 cents per dollar of the total regional center budgets (including adult education and all equipment costs, but excluding facility capital outlay costs).

The data indicate a substantial State commitment to funding the centers.

Policy Options for the State Supplemental Payment

At the time that changes were made in the State SOQ funding methodology (1988), the General Assembly decided to provide additional State funding in the 1988-90 Appropriations Act for the regional vocational centers. The additional funding was above and beyond the amounts already calculated by the State SOQ methodology (and already included in local government allocations). In essence, the special payment "double-funded" a portion

of the SOQ costs for the regional vocational centers, because the costs were already captured in the school division allocations.

The purpose of this action was to ease the transition to the new funding methodology. Accordingly, the payments are currently being phased out. The reductions that have been made in the payments appear to be appropriate, but the General Assembly has several options for future action. The General Assembly could continue to eliminate the payment, or could choose to retain a portion of the supplemental payment to contribute to the cost of the principal positions at the centers.

State standards do not require principal positions at the centers, and that is why the costs are not recognized as SOQ costs. However, the State recognizes principals for other secondary schools, and the local governments of all 11 regional centers have chosen to establish and support these positions at the centers. Based on pupil enrollment levels, the State recognizes costs for assistant principals at many secondary schools, and the State recognizes costs for guidance counseling. However, these costs are not recognized by the State at the centers.

The Department of Education pays for a portion of the costs of principals and assistant principals from the State's "extended contracts" account, but this has the effect of reducing the State contribution from the account to other schools. If the State funded center principals consistently with the way it funds secondary principals in the SOQ, it is estimated that the State share of the cost for the principals in FY 1991 would be approximately \$412,000. This amount would increase in FY 1992 if there were an increase in the recognized salary in the Appropriations Act.

Recommendation (1). *The Board of Education should review the standards for the regional vocational education centers*

to determine if standards requiring principals, assistant principals, and guidance counselors are appropriate and should be funded as part of the SOQ.

Pending the review by the Board of Education, the General Assembly may wish to retain a portion of the supplemental State payment to contribute to the cost of principals at the regional centers. The General Assembly may wish to eliminate the remainder of the supplemental State payment.

Funding the Centers Directly

One of the problems noted in House Joint Resolution 100 is related to the distribution of State and federal funds to the regional centers. Specifically, the resolution states that "funding for these regional centers was transferred to the school divisions, leading to delays in distribution of the funds and in the administration and operations of these centers." JLARC staff's review found that there are minor delays and local procedural inconsistencies that indicate a need for procedures to eliminate these problems.

Recommendation (2). *The Department of Education, in consultation with the Auditor of Public Accounts and representatives of the regional vocational centers, should revise the fund transfer process for the regional centers. The revised process should allow for the direct transfer of State and federal funds to the designated local fiscal agents of the regional centers. The revised process should adhere to all applicable requirements of the Code of Virginia and ensure that expenditure information is reported in a manner comparable with other localities in the Commonwealth.*

Recommendation (3). *Fund transfers from the participating local school divisions to the regional centers should flow directly from the school divisions to the centers' designated fiscal agents for deposit into the centers' accounts. Notifica-*

tion of these transfers should be sent to the centers at the time the transfers are performed.

Appropriateness of Approach to Funding Regional Vocational Centers

Under the current State cost and funding methodology, the programs of the regional centers are funded consistently with the way that programs are funded if they are provided in school divisions. This approach achieves equity in funding across vocational education programs, and is consistent with the rationale for establishing the regional centers. The rationale for the centers is that through collaborative effort, localities can establish programs that are more economical, or of higher quality, or both, than they could individually. By providing State funding for the jointly operated centers using the same methodology that would be applied if the divisions operated separately, the localities with centers are able to realize benefits from the regional operation. For example, through the current approach, the regional centers receive credit in State funding for 1.2 teachers per six periods taught, instead of the one position that they would receive under an actual cost or approved cost approach.

Alternative funding approaches have been suggested for the regional vocational centers by some center principals and the Board of Education. In Senate Document 10 (1990), the Board of Education recommended use of the special education regional center funding approach. The background for the recommendation was school

division concern that the current methodology for regional vocational centers "does not calculate accurately the cost of operating these programs." However, the current SOQ funding methodology is intended to fund SOQ costs, not actual costs incurred. Further, even if actual costs are used as a benchmark for comparison, this report shows that calculated SOQ costs are realistic compared to center operating budgets, particularly when it is considered that principal and assistant principal costs are funded by the State outside of the SOQ structure.

Because the regional vocational education and special education centers are fundamentally different, it is difficult to draw firm conclusions as to how the State would adapt the special education approach to meet vocational education needs. However, a review of the special education regional approach raises concerns that a similar structure applied to vocational education could make the administration of State funding more complex, less predictable, less equitable, and more highly regulated. The main benefit that the special education regional approach would appear to offer to the centers is that funding to the special education centers is based on an aggregate State share of 60 percent, which is higher than the aggregate State share for SOQ accounts. The use of a higher aggregate share, however, is purely a policy choice.

Recommendation (-). *The Department of Education should continue to apply the State SOQ cost and funding methodology to the regional vocational centers.*

Table of Contents

	<u>Page</u>
I. INTRODUCTION	1
Description of Virginia's Regional Vocational Centers	1
JLARC Review	7
II. STATE FUNDING FOR THE REGIONAL VOCATIONAL CENTERS	11
Calculation of SOQ Costs of the Regional Vocational Centers	12
Calculation of State SOQ Payments	19
State SOQ Funding for Regular Day School Operations	19
State Supplemental Payment	20
Total State Funding for the Centers	22
III. CONCLUSIONS	27
State Commitment to Funding Regional Vocational Centers	27
Disbursement of Funds to the Regional Centers	31
Appropriateness of Regional Vocational Funding Method	37
APPENDIXES	39

I. Introduction

There are 11 regional vocational education centers in Virginia. In 1989-90, the regional centers provided vocational education programs to 4,908 regular day school pupils. Recently, concerns have been raised about State funding for the regional centers. In response to these concerns, the General Assembly directed JLARC to review the funding for the centers (HJR 100, 1990 Session). This report presents the findings and recommendations from the JLARC staff assessment of the State funding support for Virginia's regional vocational education centers. It is the third JLARC report in a series on elementary and secondary education.

Due to a lack of State procedures to separately identify all State funding for the centers, it is understandable that concerns have been raised about the appropriateness of funding for the centers. However, based on an examination of all State funding, the concerns appear to be unfounded. State funding for the regional centers reflects a substantial commitment to quality. The General Assembly may wish to make a change in the State's approach to recognizing the costs of principals at the centers. Some improvements in the way in which State funds are disbursed to the centers are also possible. Finally, the current approach to regional funding for the regional vocational centers appears to be a more desirable approach for those centers than the special education regional center approach.

DESCRIPTION OF VIRGINIA'S REGIONAL VOCATIONAL CENTERS

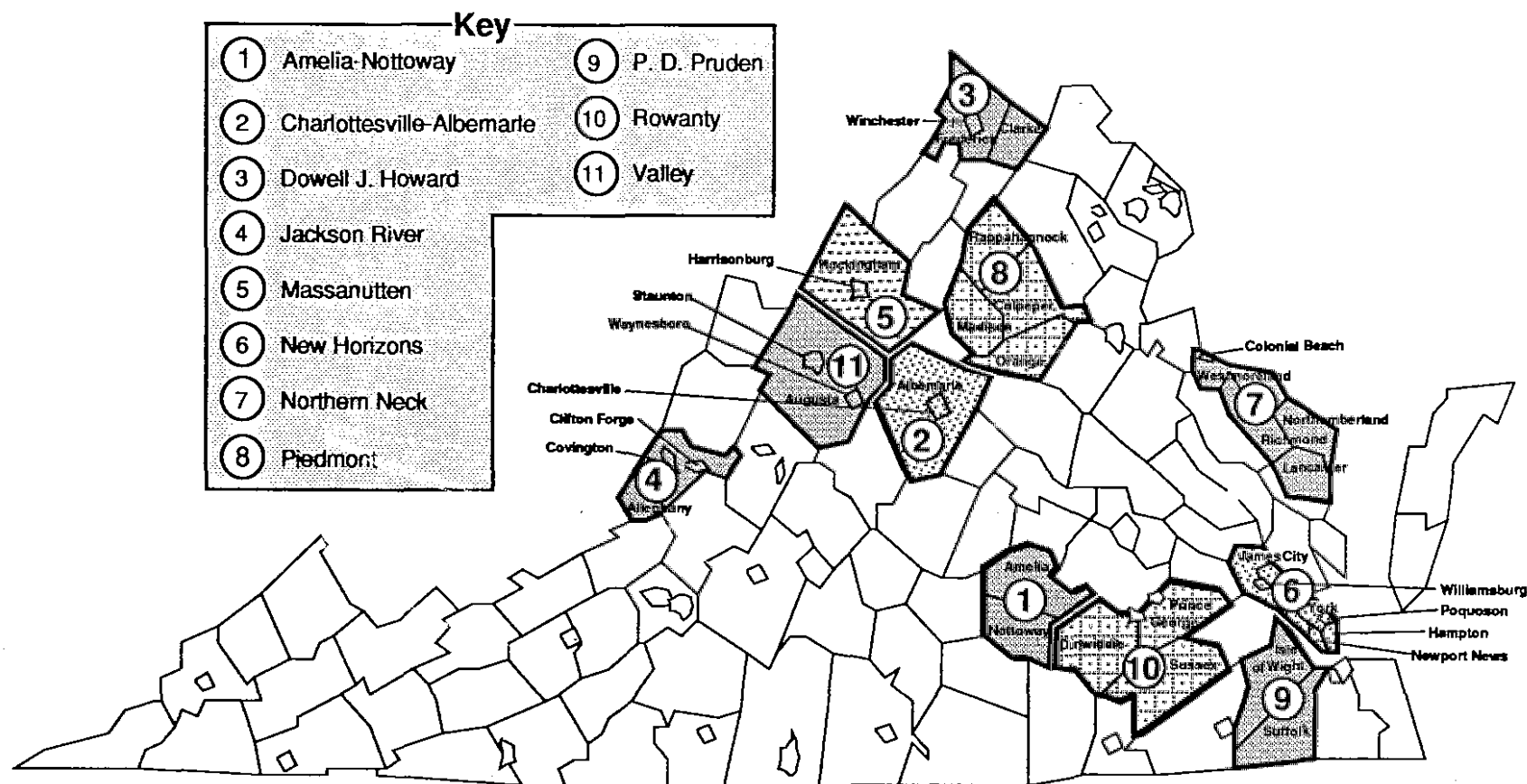
Regional vocational education centers are vocational schools operated as joint partnerships of two or more local governments. Of the 138 local government units required to provide public education, 35 (approximately 25 percent) participate by contract in a regional vocational center. The number that participate by contract in any particular center ranges from two to six. Figure 1 shows the names, geographic locations, and participating localities of each of the 11 centers.

Development and Objectives

Joint participation by school divisions in regional vocational education centers began to develop in Virginia in the mid-1960s. Most of the centers were built by the participating localities and were located on donated land. One facility, Piedmont, was built in 1948 as a secondary school. In 1968 it was converted to a regional center. Another facility, Valley, first opened in the 1940s as a rehabilitation service facility for World War II veterans. Over the years the facility was also used as a consolidated high school for Augusta County and for post secondary education. In the early 1970s, Valley was transformed into a regional vocational center. The most recent regional center to develop is Amelia-Nottoway, which opened in 1980.

-Figure 1-

Regional Vocational Education Centers and Their Participating School Divisions



Source: 1990 Virginia Educational Directory and JLARC field visits.

Regional centers provide local school divisions with the opportunity to offer students vocational programs that could not affordably be operated at the home schools. The centers can provide a wide range of program options because the costs are divided among participating school divisions. The costs for equipment alone can make it difficult for smaller school divisions to provide some programs. Further, because regional centers are able to attract students from the high schools of more than one school division, they may be able to place more students in specialized vocational classes.

Regional centers supplement the vocational education offered at participating high schools. Their mission is to serve the community by providing an opportunity for high school students to obtain technical training so they can enter into a professional trade as a skilled worker or pursue higher education in their chosen field. The centers attempt to instill quality and pride by teaching practical skills and safe work habits.

Centers also offer students and the general public a variety of regional ancillary services. Services provided vary from center to center, but may include day, evening, and weekend adult education, community college courses, driver education programs, summer enrichment programs, vocational assessment, vocational placement services, and alternative education.

Operations and Programs

Each participating school division superintendent shares responsibility for the operation of the regional center. The superintendents rotate on an annual or biennial basis as the superintendent-in-charge. The superintendent-in-charge is the direct supervisor of the director of the regional center. The director of the center is responsible for day-to-day management of the center.

Each facility has at least one clerical employee to perform administrative functions. Some centers have larger administrative staffs, which may include guidance counselors, teacher aides, curriculum coordinators, student and information resource personnel, and apprenticeship supervisors. The bulk of the center personnel however, are teachers. Usually there is one teacher for each course taught. Center teachers are responsible for a six period day, which in many cases is different than the teaching responsibility at the home schools (typically five teaching periods and one planning period). Teachers at the regional centers use time prior to the beginning of school and after the students have left for their planning.

Teachers usually work on 10-month contracts, though some centers have teachers on extended contracts. Center directors indicate that extended work hours allow teachers time to initiate and develop business contacts and to fully maintain their shops. In addition to teaching day students, some regional center faculty elect to teach night courses to adults, under separate contract.

Students typically attend classes in two half-day sessions; one in the morning and one in the afternoon. These sessions consist of three period blocks, in which

students are in class for approximately two and one-half hours a day. Some centers have modified their class schedules to be more flexible for students who have schedule conflicts. For example, some centers have programs that start early, or offer shorter programs lasting less than three periods.

Student transportation to and from the regional center is typically the responsibility of the home school divisions. Some centers are located beside high schools, so some students can walk to the center. Transported students typically spend approximately 40 minutes to one hour going to and from the regional center by bus. However, some students spend as little as 10 minutes and some as long as 2 hours a day in travel time.

Curriculum Offerings. Regional centers provide students with a variety of vocational training programs. Specific offerings are contingent upon community needs and the level of student interest. Generally a center will operate 8 to 20 different courses, which may typically include: Automechanics, Welding, Horticulture, Cosmetology, Electronics, Electricity, Small Engine Repair, Nursing, Carpentry, Masonry, Data Processing, Drafting, Food Service, and Air-Conditioning and Refrigeration.

Because of advancements in technology and changing community needs, centers have begun to experiment with their course offerings, either by enhancing programs to include such training as computerized drafting, computerized carpentry, welding with robotics and hydroponic horticulture, or by expanding into new program areas such as printing, TV production, and child day care. Centers have also purchased high-tech equipment. For example, one center teaches students how to operate a computerized simulation machine for cosmetology. The machine photographs the client, simulates different make-up or hair styles for the client, and then prints a photograph that shows the image of the client with the desired make-up or hair style selection.

The regional centers assess community needs through business partnerships developed within the community. Each center has at least one advisory council that consists of a variety of local business personnel and school representatives. The councils guide the centers in developing curriculum offerings or making changes to current programs. The councils also perform tasks such as researching the necessity for and type of equipment the school should purchase for replacement or to enhance a program. Centers also have craft committees for each trade that meet at least once a year to discuss curriculum. Craft committee membership consists of business tradespeople and teachers from the center.

The level of student interest in potential or current program offerings is assessed through current enrollment levels and through surveys given periodically to students in the participating school divisions. Courses are discontinued if student enrollment is very low for a number of years, because extended low enrollment is costly. If student interest rejuvenates, an eliminated course may be reinstated. New courses are added to the curriculum if student interest and the employment prospects for graduates appear to be strong.

The centers try to coordinate their curriculum with the home school divisions to avoid duplication of course material and competition for student enrollment. For example, the Rowanty regional center does not offer any business courses, because the home school divisions prefer to offer those courses. Centers also try to coordinate the curriculum so that related courses offered at the regional center provide a continuation of material learned at the home school division. For example, material that is taught in a home economics course at a home school may provide a foundation for a food occupations course taught at the regional center.

Special Programs. Many regional centers have developed special incentive or learning programs to better assist their students. The purpose of these programs is to motivate students to achieve, to learn about employment opportunities, to attend class, and to enhance student marketability.

Most centers have established relationships with nearby community colleges, generally in the form of articulation agreements. Articulation agreements may include a variety of coordinated cooperative efforts between the secondary schools and post secondary education. Regional centers institute articulation agreement programs to provide additional or enhanced services to students and the community, and to reduce possible duplication between the secondary schools and the community colleges. Such agreements typically expand opportunities for motivated students so that they may advance beyond the basic high school requirements in their field of study. For example, agreements may allow high school students to enroll in certain courses at the vocational center which will award high school and college credit upon successful completion of the course. Students agree to pay tuition to the community college for the course. Other agreements that may exist between community colleges and regional centers can involve allowing regional center students to enroll in a course at the community college when no such training is offered at the regional center.

In addition, some centers have developed apprenticeship and mentorship programs to provide students with hands-on work experience, an opportunity to meet working tradespeople, or the chance to make some money. Such programs allow students to learn about professional and employer expectations while still in school. Directors say that a benefit students often find from participating in such programs is that after graduation, employers frequently hire the students. While most directors seem enthusiastic about these programs, not all centers offer them. Directors say that some communities provide more opportunities for implementation than others.

Some centers use incentive programs to encourage student achievement and attendance, through awarding prizes to students who meet certain criteria. Centers which offer these programs set their own criteria, which may include standards such as perfect attendance or achievement of a grade status. Prizes also vary from center to center. Some centers award cash prizes or tee shirts. At two centers, students who satisfy certain criteria are given a "chance" to win an automobile at graduation. Students may be given one chance for each B grade or better, meaning that any student able to earn at least one B has a chance, but the more high grades, the better the odds. This approach has the advantage of giving all students an incentive to

perform. (In instances where students can win an automobile, a used car is typically donated by a local business.)

All of the regional centers promote student trade clubs. An example of a large and popular club is the Vocational Industries Club of America (VICA). Many of the centers raise funds for sending students to regional, state and national competitions, through the money collected from the school's vending machines.

Most centers involve students in special projects that serve the needs of local communities. The directors believe these projects provide learning opportunities and a chance for students to feel pride in their accomplishments. Projects include providing services which directly maintain or benefit the school, or which may benefit the community at large. Such projects may include auto repair, machine repair, hair and beauty services, highway beautification, and carpentry and masonry projects.

A project that many of the centers also sponsor is building a complete home with student labor from all of the industrial trades at the center. For example, masonry students build the foundation, carpentry students build the housing shell, and electricity students wire the house. The home is either built on donated land, or is built at the school and moved upon completion to the new owner's property. The homes are usually auctioned to cover costs or may be donated.

Student Assessment and Outcomes. Students are assessed and graded according to competency-based criteria. Using input from their craft committees, teachers develop a list of skills and tasks that each student must satisfy in order to pass a class. The criteria are updated at least annually. Teachers may also consider other factors in grading, including employability skills such as attitude, attendance, timeliness, and cleanliness.

Most centers collect information about graduates during the first year after graduation. Teachers typically gather the information by contacting former students on the telephone. If a student cannot be reached, teachers will take information from a reliable third party. Response rates are generally high. The centers generate reports based on the information collected. Most centers report a high degree of student placement either into employment, the military, or higher education.

Budget Processes and Receipt of Funds

The funding process for regional centers begins with the development of the budget, which usually starts in the fall. To assess the needs of a center, the director consults a variety of sources, including teachers, superintendents, and advisory committees. Based upon this information the director formulates the budget request.

Once the budget has been developed, it is reviewed by the participating local school division superintendents. After their review, the budget is typically submitted to a joint board of control (a controlling body whose membership includes at least two

members from each of the local school boards) for their approval. After joint board approval, the budget is approved by each of the participating local school boards. If the local school board or the governing body of one of the participating divisions will not adopt the budget request, and chooses instead to modify it, then all of the other participating school divisions modify their budgets accordingly. This rarely occurs since school division superintendents play an integral role in developing center budgets, and because each local school board has representation on the joint board of control. Final budgets are usually adopted in late spring.

The specific methods for determining the funding responsibility for each school division depends on the specifications of the contract agreement for each center. However, each participating division's contribution for operational funding is generally based upon the percentage of their students who attended the center in the past three school years. Each participating division also contributes funds for capital expenditures based upon their percentage of ownership specified in the contract agreement.

After establishment of the budget, the school divisions are responsible for sending funding to the regional center. Although the procedure varies slightly from center to center, most centers send requests to the participating divisions on a quarterly or monthly basis. The school divisions either transfer the funds to a designated local fiscal agent (normally the treasurer of the locality in which the center is located), who deposits the money into an operational account, or the funding is transferred directly to the center, which delivers the money to the fiscal agent for deposit into the center operational account. Under the second alternative, the center notifies the designated fiscal agent and sends all appropriate documentation related to the transaction. Typically, centers have bookkeepers who track funds received, pay bills and invoices, administer payroll, and notify the fiscal agent of all transactions. In all cases, the designated fiscal agent is responsible for reconciling the regional center's account.

JLARC REVIEW

The mandate for JLARC review of the regional vocational education is House Joint Resolution 100 from the 1990 session (see Appendix A). HJR 100 requests a review of State funding for the centers.

Study Issues

The impetus for HJR 100 was concern about the level of State funding, and the mechanics used by the State for funding regional centers. Specifically, regional center directors and others have raised questions about the level of commitment by the State, and have expressed concerns about the commingling of the regional center funds with State basic aid funding received by the school divisions.

Reduction in Supplemental Funding. In 1988, to ease the transition of change in the State's SOQ funding methodology, the General Assembly appropriated special funds to the regional centers. These special payments were to be equal to 7.3 percent more than each center's actual FY 1988 State payments and were to continue through FY 1990. In the 1990 session, the General Assembly decided to extend these special payments, but to reduce them substantially. The Appropriations Act called for special payments at 75 percent of FY 1990 levels in FY 1991, and 25 percent of the FY 1990 levels in FY 1992. This translates to a monetary reduction in the special payments from \$2,038,821 to \$1,529,868 in FY 1991 and to \$509,955 in FY 1992. The special payments are to end after the 1990-92 biennium. Many regional center directors have expressed concern over the reduction in State special payments and have perceived it to be a signal of diminished State commitment.

Funding Regional Centers Through School Divisions. Prior to 1985, the Department of Education provided funds to regional centers, as if they were separate school divisions. Funds were electronically transferred into an regional center operational account managed by an assigned local fiscal agent. However, according to DOE staff, there was concern that this method was inconsistent with the Code, because the process did not include controls to protect against unsound financial practices. Consequently, a decision was made to fund regional centers by first transferring funds to each participating local school division. The school divisions were to pay for regional center operations, after being billed by the regional center.

As a result, centers do not receive their funds directly from the State. The funds are instead commingled with local school division funds. Regional center directors report that this has made it more complicated for them to receive funding. Further, the State provides the divisions with basic aid funding, a portion of which is calculated to meet regional center needs. However, the State has not separately identified this funding from basic aid. For these reasons, regional center directors are concerned that the level of State funding they receive may not reflect the intended State commitment. Further, many directors are under the impression that the State provides for a minimal portion of their costs, and the local governments are left with most of the financial responsibility.

Study Methodology

JLARC staff collected information about the regional centers by conducting detailed on-site interviews with all regional center directors and with staff of the Department of Education. Several school superintendents from participating divisions attended the meetings with their regional center director, and were included in the interview process. JLARC staff also participated in school-wide tours of each facility. Additional written information regarding center budgets and other financial information was collected by JLARC staff from the directors and from the Department of Education.

Report Organization

The first chapter has provided background on the focus and purpose of the study, and general information about the regional vocational education centers. Chapter II discusses the State's calculation of the costs for the Standards of Quality (SOQ), as applied to the regional centers. Both the State and the local governments share the responsibility for funding SOQ costs at the centers. The chapter also describes State funding for the regional centers. State funding consists of State SOQ funding as well as funding from several vocational education categorical accounts. Chapter III presents the study conclusions and recommendations.

II. State Funding for the Regional Vocational Centers

Most State funding for elementary and secondary education in Virginia is provided based on the State share of the costs for the Standards of Quality (SOQ). The SOQ are the State's minimum requirements for a high quality program, including requirements for vocational education opportunities, in all school divisions across the Commonwealth. The SOQ have cost implications, and the State has a cost methodology to estimate the cost impact of the standards. The State also has a distribution methodology, to determine State and local responsibility for funding the SOQ.

Because the participating school divisions receive the State funding for the centers, the State's funding procedure calculates the total amount of funding the participating divisions are to receive. The funding for the centers is not separately identified. To address this situation, the 1990 Appropriations Act requested the Department of Education (DOE) to "develop a procedure to ensure that state funding for regional Vocational Centers is calculated separately, within the current Standards of Quality methodology."

Without this information, a perception had developed among many of the participating local school divisions and among many center personnel that the participating localities bear a disproportionate share of the funding responsibility for the centers. The perception has been that the major source of support for the centers is local funding, and that the State provides only a small portion of the total funding.

The perceptions at the local level have been based on local budget information. The center budgets contain calculations on sources of revenue, indicating the percentage of the center budgets that can be funded from certain earmarked sources of State funding. In most cases, these analyses indicate State support of 20 percent or less of the center budget. Therefore, there has been significant concern about the State's commitment to provide adequate funding for high quality programs at the centers. The problem with these revenue analyses, however, is that a large portion of the State funding for the centers has not been separately identified by the State, so it is not addressed in the analyses.

Pursuant to the Appropriations Act requirement, DOE staff have developed a proposed procedure to separately identify all SOQ funding, and have provided calculations using the procedure to JLARC staff and to the centers. JLARC staff have compared the department's calculations of SOQ funding for FY 1991 with center budget amounts for regular day school operations. This analysis indicates that State SOQ payments fund a substantial portion of regular day school operating costs for all regional centers. The level of State SOQ funding support (56 percent, on average) appears to indicate a strong State commitment to fund regular day school operating programs at the regional vocational centers.

JLARC staff have also compared total State funding from all accounts to total center budgets (including adult education, apprenticeship, summer schools, and capital outlay for equipment). The percentage of State support, exclusive of the State supplemental payment, averages about 54 percent of budgeted expenditures at the centers.

CALCULATION OF SOQ COSTS OF THE REGIONAL VOCATIONAL CENTERS

To separately identify State funding to the regional vocational centers, DOE needed to address two components in its procedure. The first component, discussed in this section, is to calculate the SOQ costs of the centers using the State's SOQ cost methodology. The second component, discussed in the next section, is to calculate State funding based on the composite index, a measure of local ability to pay that is used to determine State and local shares.

There are four steps in the calculation of SOQ costs for the centers. First, the number of teachers that are required is calculated. Second, the number of teachers is multiplied by a salary cost, and fringe benefit costs are added to obtain teacher compensation costs. Third, support costs are determined. Fourth, teacher compensation costs and support costs are added to obtain a total SOQ cost.

Calculation of Number of Teachers

All middle and secondary schools are required under the Standards of Accreditation to have a student-teacher ratio that does not exceed 25 to 1. Therefore, the center is initially calculated to require one FTE teacher for every 25 FTE students.

However, there are reasons why the 25 to 1 ratio alone does not provide an adequate basis for calculating center costs. First, there are State standards that require lower (more costly) ratios for certain vocational education offerings. Second, it may not be realistic to obtain a student enrollment of 25 for a number of sections. Lower enrollments can be caused by a variety of factors, including the size of the regional student population, variations in student interest levels, student attrition between the first and second years of a program, and student scheduling problems related to academic requirements.

Accordingly, the State's cost methodology builds center costs section by section. Every section of a course that the center chooses to offer is calculated to require at least one teacher for the periods that the course is offered. Then, the maximum enrollment levels of DOE's Vocational Education Management System (VEMS) are applied to assess whether any courses have enrollments above maximum enrollment levels.

The VEMS maximum enrollment levels, which are defined by the Board of Education's "Regulations Governing Vocational Education," are lower for several types of vocational education programs than the 25:1 ratio allowed by the Standards of Accreditation. The Board's regulations state that "vocational education laboratory classes which use equipment that could result in bodily injury, if operated in an unsafe or improper manner, shall be limited to a maximum of 20 students per instructor." Courses using the cooperative education method of instruction are also limited to 20 students. Also, classes specially designed for disadvantaged students are limited to 15 students per teacher, and classes specially designed for handicapped students are limited to 10 students per teacher (or 12 students with an aide).

Consistent with the general SOQ methodology for vocational education, if regional center enrollment in a single section exceeds the maximum class sizes of VEMS, then the section is divided into two or more sections, as needed. Sections are then converted to FTE courses based on the number of periods and the number of weeks offered. The FTE courses are then divided by five (periods in a day), producing the number of FTE teachers required for vocational education.

The regional vocational education centers can operate with fewer instructors than are calculated through the use of the SOQ cost methodology, because the center teachers actually teach six periods instead of five periods. The use of a five-period day to perform FTE conversions under the cost methodology was originally based on DOE's VEMS. VEMS provided that "one FTE equates to five instructional periods" for purposes of computing entitlements for operational costs for vocational education. Discussions with regional center personnel indicate that this approach reflects the vocational education practices in the "home schools," where vocational education teachers typically teach for five periods and have one period of planning.

However, at the regional centers, the teachers teach six periods and do their planning before students arrive or after students leave. This means there is a difference between regional center practice and the cost calculations. Under actual practice, six periods of classes requires one teacher. Under the SOQ cost methodology, one teacher is assumed to teach five periods, so six periods of classes are calculated to require 1.2 teachers. State funding to the centers is based on 1.2 teachers per 6 periods. The State does not reduce the center's SOQ cost calculation and funding because the centers do not have a separate planning period.

Table 1 shows the school-wide pupil-teacher ratios that are currently provided for under the current cost methodology. The range in the ratios is from 10 to 14.3 students per teacher.

Next, the costs of compensation for the SOQ teachers need to be calculated. The number of teachers is multiplied by the Appropriations Act salary level for secondary teachers (\$30,400 in FY 1991) to calculate salary costs.

Table 1

**Pupil-Teacher Ratios Recognized
in SOQ Costs, FY 1991**

<u>Regional Center</u>	<u>Pupil-Teacher Ratio</u>
Amelia-Nottoway	13.3
Charlottesville-Albemarle	13.2
Dowell J. Howard	10.9
Jackson River	14.3
Massanutten	10.0
New Horizons	10.6
Northern Neck	13.0
P.D. Pruden	10.8
Piedmont	11.2
Rowanty	11.0
Valley	11.1

Source: JLARC analysis of DOE data for FY 1991 on estimated FTE students, and the FTE instructional positions calculated for the regional centers using the SOQ cost methodology.

Calculation of Teacher Compensation Costs

Fringe benefit costs are also added to calculate total compensation costs for SOQ teachers. The fringe benefit rates for VRS, Social Security, and group life are calculated consistent with Appropriation Act provisions. In FY 1991, the combined fringe benefit rate that DOE used in computing these fringe benefits represented approximately 19.7 percent of salary. In addition, health care fringe benefit costs are included, at a cost of \$1,959 per teacher. As a result, the total SOQ compensation package per teacher at each center in FY 1991 was \$38,365.

Calculation of Support Costs

Support costs are school operating costs, other than the costs for instructional personnel, that are recognized under the SOQ. Examples of support costs include non-instructional personnel costs (such as the salary and fringe benefit costs of a school custodian), and costs for materials and supplies. The regional vocational centers incur several types of support costs.

To calculate support costs, the support expenditures that are made at the centers are first prorated back to the participating school divisions. The students

attending the centers are counted as a full member of ADM in the participating divisions, so the proration of the costs incurred for the pupils at the centers is needed to fully capture costs for the pupils in "per-ADM" cost calculations.

Next, for each school division, the average per-pupil (or per-instructor) cost is calculated by support component. Then linear weighted average support costs are calculated, based on the data across all the school divisions.

Based on these calculations, DOE estimates the following FY 1991 support personnel costs, which are used to determine center costs: \$371.92 per pupil for support salary costs; \$112.13 per pupil for support fringe benefit costs (VRS, social security, group life, and health care); \$443.25 per teacher for substitute teacher costs; \$254.96 per teacher for professional development costs; and \$468.29 per pupil for non-personnel service costs. Non-personnel services is a broad category which includes: non-personnel administrative costs (such as telephone, postage, stationary and supplies); non-personnel instructional costs (such as textbooks, instructional materials and supplies, and educational television); attendance and health costs (such as medical and dental supplies and purchased health services); operation and maintenance costs (such as utility costs, custodial supplies, building materials); and fixed charges.

Calculation of Total Costs

The last step is to compute total SOQ costs, by adding the teacher compensation costs and the support costs. Because there are variations in the pupil-teacher ratios that are funded for the centers, based on differences in course offerings and enrollment patterns, there are variations in the per-pupil amounts recognized as SOQ costs at the centers.

Table 2 shows total SOQ costs and the variations in per-pupil cost amounts for the centers, and the total SOQ costs by center that result from the calculations for FY 1991. Total SOQ costs for the regional centers in this year are \$14,281,849, or an average of \$4,406 per pupil. The range in SOQ per-pupil amounts is from \$3,692 per-pupil at Jackson River to \$4,865 per-pupil at Massanutten.

Comparison of SOQ Costs and Regional Vocational Center Budgets

During this study, JLARC staff requested data from the centers on their approved budgets for FY 1991. The purpose of this request was to obtain budget information for the current year that could be used as a basis to compare budgeted expenditures between centers, and to compare budgeted expenditures with SOQ cost calculations.

For comparisons with SOQ costs, regular day school operating costs were identified from the regional center budgets, because these are the types of expenditures that the SOQ costs are intended to address. For the analyses in this report, regu-

Table 2

SOQ Costs by Regional Center

<u>Regional Center</u>	<u>SOQ Costs</u>	<u>SOQ Cost Per Pupil</u>
Amelia-Nottoway	\$ 476,869	3,892
Charlottesville-Albemarle	873,728	3,900
Dowell J. Howard	897,574	4,522
Jackson River	769,276	3,692
Massanutten	1,450,887	4,865
New Horizons	3,024,541	4,630
Northern Neck	794,977	3,956
P.D. Pruden	1,241,959	4,574
Piedmont	1,228,152	4,438
Rowanty	786,113	4,495
Valley	<u>2,737,773</u>	4,471
Total	\$14,281,849	
Per-Pupil Average		\$4,406

Source: Department of Education estimates for FY 1991, based on the State's SOQ cost methodology.

lar day school operations have been defined to include operating expenditures for secondary students attending the center, exclusive of: (1) expenditures for special programs provided at the center that are not largely for secondary students taking vocational education at the center, (2) summer school programs, (3) resale costs, and (4) capital outlay expenditures and debt service. Thus, adult education costs are not included. Governor schools, regional driver education, area vocational directors, regional Management Information Systems for the divisions, and alternative education programs are not included. New equipment purchases are not included (capital outlay expenditures), but replacement equipment purchases are included.

Table 3 shows the results of an analysis of regional center approved budgets for FY 1991. The data reflect the budgeted per-pupil expenditures in FY 1991 by center for regular day school operations. The centers are budgeted to expend \$15,408,100 for regular day school operations, or an average of \$4,754 per-pupil. The range in budgeted expenditures per-pupil is from \$3,767 at Amelia-Nottoway to \$7,061 at Dowell J. Howard.

A comparison of center budgets and SOQ costs for 1990-91 indicates that in three centers — Amelia-Nottoway, New Horizons, and Valley — budgeted expenditures are less than SOQ calculated costs (see Table 4). Eight of the centers are

Table 3

**Budgeted Expenditures by Regional Center
For Regular Day School Operations**

<u>Regional Center</u>	<u>Budgeted Expenditure</u>	<u>Budgeted Amount Per-Pupil</u>
Amelia-Nottoway	\$ 461,610	\$3,767
Charlottesville-Albemarle	907,572	4,051
Dowell J. Howard	1,401,745	7,061
Jackson River	820,236	3,936
Massanutten	2,006,363	6,728
New Horizons	2,886,954	4,419
Northern Neck	823,428	4,098
P.D. Pruden	1,335,693	4,919
Piedmont	1,326,597	4,794
Rowanty	938,363	5,365
Valley	<u>2,499,539</u>	<u>4,082</u>
Total	\$15,408,100	
Per-Pupil Average		\$4,754

Source: JLARC analysis of budget data provided by the regional centers and DOE
FTE pupil estimates for FY 1991.

budgeted above the SOQ calculated cost. On average across all the centers, the centers are budgeted to spend 7.9 percent more than the SOQ costs.

It is important, however, to consider the context for these results. In considering regional centers with budgets less than SOQ costs (Amelia-Nottoway, New Horizons, and Valley) it should be recognized that less money may be spent at a regional center than is calculated under the SOQ, but a high quality program can still be provided. New Horizons, for example, was widely cited by other centers as providing excellent programs. A regional center may achieve cost efficiencies that enable it to provide a high quality program for less than the calculated SOQ cost. For example, the centers can meet the SOQ with 20 percent fewer teachers than are calculated as SOQ costs, based on their use of a six-period teaching day per teacher. Thus, less money may be spent at a regional center than is calculated under the SOQ, but a high quality program may still be provided.

Also, it should be noted that the State does not require that SOQ costs be expended in each school (such as a regional center). The State's SOQ costs are intended to calculate a minimum cost for a high quality program that must be provided

Table 4

**Comparison of SOQ Costs and Regional Center Budgets
For Regular Day School Operations**

<u>Regional Center</u>	<u>Center Budget</u>	<u>SOQ Cost</u>	<u>Center Budget as Percent of SOQ Cost</u>
Amelia-Nottoway	\$ 461,610	\$ 476,869	96.8%
Charlottesville-Albemarle	907,572	873,728	103.9
Dowell J. Howard	1,401,745	897,574	156.2
Jackson River	820,236	769,276	106.6
Massanutten	2,006,363	1,450,887	138.3
New Horizons	2,886,954	3,024,541	95.5
Northern Neck	823,428	794,977	103.6
P.D. Pruden	1,335,693	1,241,959	107.5
Piedmont	1,326,597	1,228,152	108.0
Rowanty	938,363	786,113	119.4
Valley	<u>2,499,539</u>	<u>2,737,773</u>	<u>91.3</u>
Total	\$15,408,100	\$14,281,849	107.9%

Source: JLARC analysis of budget data provided by the regional centers and DOE
SOQ cost calculations for FY 1991.

in each school division. All school divisions are required by the Appropriations Act to spend at least 95 percent of SOQ cost levels. It is not required that a particular amount be spent in each school. For individual schools, the requirement is that school-based standards be met.

Finally, in considering regional centers with budgets greater than SOQ costs, it should be recognized that the centers may provide services as part of regular day school operations that go beyond SOQ requirements. The Standards of Quality represent the State's minimum requirements for high quality programs. Higher costs at some of the centers may reflect a local desire that the regional center go beyond the standards. For example, the SOQ cost calculation does not include costs for principals or assistant principals, which most centers have. If these costs were calculated as part of the SOQ (as opposed to being funded from another State account), then the SOQ-calculated cost would increase by over \$1.1 million across the centers, or approximately \$100,000 per center. Four more centers (Charlottesville-Albemarle, Jackson River, Northern Neck, and P.D. Pruden), for a total of seven, would then have a SOQ-calculated cost above their budgeted amount. Instead, these costs currently receive some support from State funds outside of the SOQ.

CALCULATION OF STATE SOQ PAYMENTS

In response to an Appropriations Act request, DOE has developed a procedure to separately identify the State SOQ payments that are made available to the school divisions for the regional centers. The department provided JLARC staff with a copy of the proposed procedure, and the department sent a copy of the proposed procedure on August 9, 1990 to regional vocational center principals and superintendents of divisions participating in the regional centers.

The procedure that has been outlined by the department appears to be consistent with the current funding methodology, as the Appropriations Act had requested. The procedure entails two major steps. First, SOQ costs are calculated as described in the previous section, except that the costs are disaggregated by participating school division.

Second, the State payment is calculated based on the use of the composite index. The composite index is the State's measure of relative local ability to pay that is used in the education funding formula. Each locality has its own composite index, which is why it is necessary to disaggregate the regional center SOQ costs by participating school division to determine State payments. The multiplication of a locality's composite index by the SOQ cost produces the "local" SOQ cost; subtraction of the local SOQ cost from the total SOQ cost produces the State SOQ payment.

Table 5 shows the estimated State SOQ payments for FY 1991 based on DOE's calculations. The total State SOQ payment for all of the regional vocational centers is estimated to be \$8,617,806. On average across the centers, the State SOQ payment pays for 60.3 percent of total SOQ costs (the average local share of SOQ costs is therefore 39.7 percent). However, the percentages vary based on the composite indices of the participating localities. The State pays the largest portion of SOQ costs for the Jackson River center (70.8 percent) and the smallest portion for the Charlottesville-Albemarle center (43.3 percent).

STATE SOQ FUNDING FOR REGULAR DAY SCHOOL OPERATIONS

DOE's estimated State SOQ payments for FY 1991 can be compared with regional vocational center operating budgets for regular day school in FY 1991. The purpose of the comparison is to assess the proportion of center operating costs paid by the State SOQ.

Table 6 shows the results of this comparison. The table indicates that across the centers, estimated State SOQ payments will pay an average of 55.9 percent of regular day school operating costs. The range in the percentage of State payment is from 34.2 percent at Dowell J. Howard to 71.0 percent at Amelia-Nottoway. The variation in the percentages is due to two main factors: (1) differences in how much

Table 5

FY 1991 Estimated State SOQ Payments

<u>Regional Center</u>	<u>Estimated State SOQ Payment</u>	<u>State SOQ Payment as Percent of SOQ Cost</u>
Amelia-Nottoway	\$ 327,588	68.7
Charlottesville-Albemarle	378,725	43.3
Dowell J. Howard	478,953	53.4
Jackson River	544,383	70.8
Massanutten	862,054	59.4
New Horizons	1,855,300	61.3
Northern Neck	410,496	51.6
P.D. Pruden	794,933	64.0
Piedmont	671,485	54.7
Rowanty	555,970	70.7
Valley	<u>1,737,919</u>	<u>63.5</u>
Total	\$8,617,806	
Percent Average		60.3

Source: Data provided by DOE on FY 1991 estimated SOQ costs and State payments.

variation there is between each center's SOQ and budgeted per-pupil costs, and (2) differences in the ability-to-pay of the participating localities.

STATE SUPPLEMENTAL PAYMENT

At the time that changes were made in the State SOQ funding (1988), the General Assembly decided to provide additional State funding in the 1988-90 Appropriations Act for the regional vocational education centers. The additional funding was above and beyond the amounts already calculated by the State SOQ methodology (and already included in the local government allocations). In essence, the special payment "double-funded" a portion of the SOQ costs for the regional vocational centers, because the recognized costs were already captured in the school division allocations.

The purpose of this action was to ease the transition to the new funding methodology. The 1988 Appropriations Act stated the General Assembly's intent that the payment not continue beyond the 1988-90 biennium.

Table 6

**Comparison of Estimated State SOQ Funding
And Vocational Regional Center Budgets, FY 1991
(Regular Day School Operations)**

<u>Regional Center</u>	<u>State SOQ Funding</u>	<u>Center Budget</u>	<u>State SOQ Funding as Percent of Center Budget</u>
Amelia-Nottoway	\$ 327,588	\$ 461,610	71.0%
Charlottesville-Albemarle	378,725	907,572	41.7
Dowell J. Howard	478,953	1,401,745	34.2
Jackson River	544,383	820,236	66.4
Massanutten	862,054	2,006,363	43.0
New Horizons	1,855,300	2,886,954	64.3
Northern Neck	410,496	823,428	49.9
P.D. Pruden	794,933	1,335,693	59.5
Piedmont	671,485	1,326,597	50.6
Rowanty	555,970	938,363	59.2
Valley	<u>1,737,919</u>	<u>2,499,539</u>	<u>69.5</u>
Total	\$8,617,806	\$15,408,100	55.9%

Source: JLARC analysis of FY 1991 budget data and DOE SOQ calculations.

During the 1990 session, the General Assembly decided that it would not completely eliminate the special payment for regional vocational education centers, but would reduce the payment substantially during the 1990-92 biennium. The Appropriations Act provides for special payments at 75 percent of FY 1990 levels in FY 1991, and 25 percent of FY 1990 levels in FY 1992. This means a reduction in the special payments from \$2,039,821 to \$1,529,868 in FY 1991 and to \$509,955 in FY 1992.

Table 7 shows the impact of the FY 1991 State supplement payment (phased to 75 percent) on State funding of SOQ costs. The first column of data indicates the proportion of SOQ costs that are paid by State SOQ funding. The second column of data indicates the proportion of SOQ costs that can be paid through the State SOQ and supplemental payments. The last column indicates the additional percentage of SOQ costs that are State-funded by the supplement.

As the table indicates, based on the composite indices of the participating localities, the State would normally provide (on average across the centers) 60.3 percent of the SOQ costs in the regional centers. When supplemental payments are added to SOQ payments, the State on average funds approximately 71.1 percent of the

Table 7

**Proportion of SOQ Costs Paid by the State
Exclusive and Inclusive of the
Supplemental Payment for FY 1991**

<u>Regional Center</u>	<u>State SOQ Funding as Percent of SOQ Cost</u>	<u>State SOQ With the Supplemental Payment</u>	<u>Additional Percentage of SOQ Costs State-Funded</u>
Amelia-Nottoway	68.7%	80.3%	+11.6%
Charlottesville-Albemarle	43.3	55.0	11.7
Dowell J. Howard	53.4	64.2	10.8
Jackson River	70.8	82.0	11.2
Massanutten	59.4	68.7	9.3
New Horizons	61.3	70.5	9.2
Northern Neck	51.6	64.7	13.1
P.D. Pruden	64.0	72.8	8.8
Piedmont	54.7	67.1	12.4
Rowanty	70.7	84.3	13.6
Valley	63.5	74.7	11.2
Center Average	60.3	71.1	+10.8

Source: JLARC analysis of FY 1991 data on State supplemental payments and DOE SOQ calculations.

SOQ costs at the centers. This means that the FY 1991 supplement, on average, will pay an additional 10.8 percent of SOQ costs that would not normally be provided to the localities based on ability to pay. This will decline to 3.5 percent in FY 1992.

TOTAL STATE FUNDING FOR THE CENTERS

There are three broad categories of State payments to the centers that should be addressed in order to assess total State funding for the centers. These payments are the SOQ payments, the supplemental payment, and certain non-SOQ State categorical accounts.

The SOQ payments and the supplemental payments have already been discussed. This section of the chapter therefore begins with a discussion of the non-SOQ State categorical accounts. These accounts provide funding for expenditures outside of

regular day school operations (for example, adult education and purchases of new equipment). Therefore, a comparison is made between total State funding (from the SOQ, the State supplemental payment, and the non-SOQ categorical accounts) and total center budgets (including adult education and capital outlay for equipment). Because the State supplemental payment is being phased out, an additional comparison is made to indicate the degree of State support that is available without the supplemental payment.

Non-SOQ State Categorical Payments for Regional Centers

Besides the SOQ and the supplemental payment, the State provides some non-SOQ categorical funding for the regional centers. Currently, the largest sources of State categorical funding for the regional centers are extended contracts, apprenticeships, and adult education. Smaller amounts of State categorical funding are provided for regional vocational coordinators, equipment, conferences, and consumer homemaking. Funding for regional vocational coordinators is not included in the funding calculations of this section, because those costs are excluded from the center cost calculations. The conference categorical is not included because DOE has not yet determined the funding levels by center based on prior-year data, but the amount of funding available statewide is only \$60,000.

"Extended contracts" is the term used by DOE staff to refer to one of the State's categorical accounts for vocational education. In FY 1991, statewide funding from extended contracts totals \$6,266,020, of which it is estimated that \$761,686 will be provided to the eleven regional centers. The funding is provided for two purposes. First, it is used to pay a portion of the costs for extended contracts for vocational education personnel, so that they may work on contract for 11 or 12 months instead of the usual 10-months. Second, it is used to pay a portion of the costs for principals and assistant principals at dedicated vocational centers. The department determines the percentage of prior-year actual statewide expenditures in these two areas that it can afford to fund within the categorical amount. For FY 1991, it appears that the State can pay for 44.8 percent of the prior-year costs for these activities. If this account is frozen but costs continue to increase, then the percentage will decrease over time.

The State also has categorical sources of funding available for apprenticeships and adult occupational preparation and technology education. It is estimated that the eleven centers will receive approximately \$423,600 in State apprenticeship funding in FY 1991 (and \$271,965 in federal funding). This funding is for the costs of classroom instruction of vocational apprentices. Also, it is estimated that the eleven centers will receive approximately \$230,251 in State adult education funding in FY 1991. This funding is for part-time salaries or supplements for the teachers who teach adults. According to DOE, the amount has been frozen for several years. At one time, it was estimated to fund about 50 percent of the costs. Now, according to DOE estimates, it funds about 28 percent of prior-year costs. There is also State categorical funding for equipment. The centers will receive approximately \$14,000 in funding in FY 1991 from the State (and approximately \$60,000 in federal funding for equipment).

Table 8 indicates the percentage of regional center budgets that are paid from State funds, inclusive of the supplemental payment. The center budget data for these comparisons includes adult education, summer school, and capital equipment costs. It excludes only those costs and State payments for special programs that are not specifically for vocational students attending the center (such as the Governor's School at New Horizons, or regional coordinators), resale costs, and capital facility costs. These comparisons indicate that State payments constitute 62.4 percent of center budgets on average across the centers, with a range from 37.5 percent at Dowell J. Howard to 88 percent at Amelia-Nottoway.

Because the supplemental payments are being phased-out, it is also important to consider the level of the State's contribution to the center budgets without the supplemental payment. Table 9 shows this State contribution. Without the supplemental payment, in FY 1991 the State would provide an average contribution to the regional centers of 54.1 percent of their budgeted costs. The range in this contribution is from 32.2 percent at Dowell J. Howard to 76.2 percent at Amelia-Nottoway.

Table 8

**Comparison of State Payments and
Regional Center Budgets, FY 1991
(Inclusive of the State Supplemental Payment)**

<u>Regional Center</u>	<u>Combined State Funding</u>	<u>Center Budget</u>	<u>Combined State Funding as Percent of Center Budget</u>
Amelia-Nottoway	\$ 413,776	\$ 470,308	88.0%
Charlottesville-Albemarle	634,784	1,177,766	53.9
Dowell J. Howard	691,760	1,843,506	37.5
Jackson River	697,250	864,885	80.6
Massanutten	1,274,490	2,969,525	42.9
New Horizons	2,294,627	3,337,693	68.7
Northern Neck	557,964	872,079	64.0
P.D. Pruden	987,756	1,385,812	71.3
Piedmont	915,995	1,525,347	60.1
Rowanty	722,966	976,986	74.0
Valley	<u>2,386,573</u>	<u>3,138,137</u>	<u>76.1</u>
Total	\$11,577,941	\$18,562,044	62.4%

Source: JLARC analysis of FY 1991 budget data and DOE data on State payments.

Table 9

**Comparison of State Payments and
Regional Center Budgets, FY 1991
(Exclusive of the State Supplemental Payment)**

<u>Regional Center</u>	<u>Combined State SOQ and non-SOQ Funding</u>	<u>Center Budget</u>	<u>State Funding as Percent of Center Budget</u>
Amelia-Nottoway	\$ 358,377	\$ 470,308	76.2%
Charlottesville-Albemarle	533,187	1,177,766	45.3
Dowell J. Howard	594,050	1,843,506	32.2
Jackson River	610,848	864,885	70.6
Massanutten	1,139,258	2,969,525	38.4
New Horizons	2,018,746	3,337,693	60.5
Northern Neck	454,219	872,079	52.1
P.D. Pruden	879,087	1,385,812	63.4
Piedmont	763,430	1,525,347	50.0
Rowanty	616,129	976,986	63.1
Valley	<u>2,080,742</u>	<u>3,138,137</u>	<u>66.3</u>
Total	\$10,048,073	\$18,562,044	54.1%

Source: JLARC analysis of FY 1991 budget data and DOE data on State payments.

III. Conclusions

Based on JLARC's assessment of regional vocational centers, there are three areas in which conclusions can be drawn. These areas are: (1) the level of the State's commitment to quality vocational education programs and funding for the regional vocational centers, (2) the disbursement of funds to the regional vocational centers, and (3) the appropriateness of the general approach to calculating costs and funding the regional vocational centers.

STATE COMMITMENT TO FUNDING REGIONAL VOCATIONAL CENTERS

Education research highlights the success of hands-on applied training in preparing students to enter the work force and keeping at-risk students in school. This research emphasizes the importance of providing a viable vocational education program in Virginia's public schools. The establishment and support of the vocational regional centers represents a major effort toward achieving this goal.

Field visits to the 11 regional vocational facilities and interviews with the regional center directors indicate that the centers are providing high quality services for the students in the participating school divisions. These perceptions are confirmed by results of the Vocational Education Evaluation in Virginia (VEEVA) process, which indicate overall student satisfaction with the centers' programs. In addition, center directors report that they are generally satisfied with their overall budgets.

Nonetheless, a perception exists at the local level that State funding support for the regional centers is minimal and diminishing. As demonstrated through the analysis presented in Chapter II, however, State fund support comprises a significant portion of the funding for the regional centers.

One component of the State support to the centers in this and the previous biennium has been the special payment to the centers, which is scheduled to be phased out after the FY 1992 budget year. While the phase-out of most of this funding appears to be appropriate because it "double-funds" State SOQ payments, the General Assembly may wish to consider maintaining approximately \$412,000 in supplemental funding to help support principal positions at the centers.

Regional Centers Provide Quality Vocational Education Programs

JLARC staff visits to the regional center facilities indicated that, with some limited exceptions, all of the facilities appeared to be in good condition. As shown in Table 10, all center directors felt that their facilities had adequate classroom and

Table 10

**Responses of Regional Directors to
Interview Questions About Program Quality**

<u>Question</u>	<u>Yes</u>	<u>No</u>
Adequate Classroom and Workshop Space?	11	0
Safe and Pleasant Environment for Instruction?	11	0
Skills Students Learning Up-To-Date?	10	1
Course Materials, Equipment, Machinery Adequate in Quantity?	9	2
Course Materials, Equipment, Machinery In Good Condition?	10	1
Satisfied with Total Budget?	10	1

Source: JLARC staff interviews with regional vocational center directors,
July 1990 - November 1990.

workshop space. In addition, all center directors felt that their centers provided a safe and pleasant environment for instruction. Two center directors expressed concern that workshop space in selected trade areas — such as carpentry and masonry — was restricted and, therefore, may become unsafe if enrollments for the programs expand further. Several center directors also expressed interest in incorporating academic programs in their centers to complement the vocational programs, but noted that additional space would be required for such an effort.

Three of the centers are currently undergoing or are considering expansion projects, and two center directors noted that they were anticipating major capital expenditures to repair their roofs.

One facility's roof leakage problem has forced the facility to cover equipment for protection in several course laboratories during rain-storms. According to the director, classes have had to be postponed or moved due to the dangerous conditions that exist around certain pieces of equipment.

These problems should be addressed as soon as possible to ensure continued student safety.

Most center directors felt that course materials, equipment, and machinery were adequate in quantity and were in good condition. Center directors citing deficiencies in this area believed that although their centers were making progress in maintaining sufficient amounts of quality resources, obtaining sufficient quantities of small equipment (such as hand tools) was a particular problem. Concern was consistently expressed that if funding became more restricted, equipment budgets would be severely affected. This in turn would affect the ability of the centers to keep their equipment and training up-to-date with industry needs.

However, almost all center directors stated that the skills and experiences their centers provide are currently consistent with industry needs. Center directors attributed this to substantial industry involvement and the support of their local school divisions. Although the level of technological sophistication varied from center to center, the directors generally asserted that the skills taught at their centers were suited to the skills demanded by local industries.

Student assessments of the vocational technical centers seem to support the directors' views regarding the quality of the programs. Through the State VEEVA process, students participating in vocational education programs throughout the State are surveyed regarding their perceptions of selected aspects of the programs. Analysis of these survey results indicates that students participating in programs provided by regional vocational centers generally rate their programs more highly than the students of other vocational programs in the State. Center students generally rate their programs more highly than evaluation group averages on the following items: individual attention, quality of tools and equipment, up-to-date materials, condition of work areas, supply availability, and overall program satisfaction. In addition, students in regional center programs were more likely to recommend their program to friends and to seek jobs in their areas of training than were their peers in the VEEVA evaluation groups.

Despite the concerns center directors expressed about future fund availability, ten of the eleven directors said that they were satisfied with their overall budgets. Again, the directors cited the support of the local school divisions and industries as the primary reason that their budgets are adequate. They felt that the localities have been forced to make up shortfalls in the State funding and that the local school divisions were being placed in the difficult position of having to choose between the centers and locally-oriented programs in an environment of limited resources. However, as the analysis presented in Chapter II demonstrated, the State's funding commitment to the regional centers is substantial.

State Funds Provide Strong Support to Regional Centers

The analysis of State funding sources in relation to regional center budgets revealed that the State provides, on average, approximately 54 cents per regional

center dollar budgeted for FY 1991 (with adult education and capital expenditures for equipment included). State funds provided to support the SOQ and other categorical funding (but not including the State's special supplemental payment) total \$10,048,073, compared to the \$18,483,569 total budget of the centers.

Other funding comparisons demonstrate the State's funding commitment more vividly. In FY 1991, the State on average will pay for 60.3 percent of the SOQ costs at the centers through SOQ payments. State SOQ payments, on average, will pay for 56 cents on the dollar for regional center regular day school operating budgets — and this comparison is exclusive of the supplemental payment. Therefore, local perceptions of minimal State funding appear to be unfounded.

However, the anticipated reduction of the special payment to the 25 percent level in FY 1992, and the ultimate elimination of these funds, have been a particular focus of the center directors during staff interviews. As the special funding has decreased, center directors have worried that State funds flowing to the centers would be increasingly difficult to separate from other SOQ funding. DOE's efforts to separately identify State funds targeted for the centers and the proposed process allowing State funds to be transferred directly to the centers should help address these concerns. In addition, the General Assembly may want to consider a policy option that would result in the retention of at least a portion of the special payment funds for specified purposes.

Policy Options for the State Special Supplemental Payment

Two options have been identified regarding the future of the State special payment. These options include (1) implementing the scheduled phase out of the payment, and (2) retaining a portion of these funds to be used to support payment of salary and fringe benefit costs for the administrative leadership position (the principal/director of the center).

Implementing Scheduled Phase-out. The first option would be to completely eliminate the special payment funds after FY 1992 as scheduled. These funds were originally included in the Appropriations Act to ease the transition of the regional centers to the new SOQ funding formula. However, the funds represent a "double funding" of center operational elements already included in the SOQ calculations of basic aid and vocational "add-ons." Other categorical funds also exist for the support of center functions. This option would reduce total State funding for the centers. However, the centers would still receive a large amount of State funding.

Retain Portion of Payment for Support of Administrative Leadership Position. The second option would earmark a portion of these funds to support a principal/director at the center, and eliminate the remainder of the payment. Currently, principal/director positions are supported from State categorical funds for extended contracts. Because the size of this categorical payment is fixed, the impact of this practice is to reduce the level of funding for extended contracts that can be received by

other divisions. Further, the categorical only pays for approximately 44.8 percent of costs without regard for ability to pay.

State standards do not require principal positions at the centers, and that is why the costs are not recognized as SOQ costs. However, the State recognizes principals for other secondary schools, and the local governments of all 11 regional centers have chosen to establish and support these positions at the centers. Based on pupil enrollment levels, the State recognizes costs for assistant principals at many secondary schools, and the State recognizes costs for guidance counseling. However, these costs are not recognized by the State at the centers. The Board of Education should examine the current standards for the centers to determine if it would be appropriate for the State to pay for a portion of the costs of these positions.

Depending on the outcome of this review, an alternative to completely eliminating the supplemental payment would be to retain a portion of the supplemental payment to pay a State share for the salaries of the principal positions, based on the prevailing salaries for principal positions at the secondary school level. The amount of State and local support for these positions would then be determined by applying the appropriate ability-to-pay indicator to the salaries.

This option has three attractive qualities. First, State support would be provided for principal positions which the State recognizes for other secondary schools, and which the local governments of all 11 regional centers have established. Second, the State responsibility for supporting the principal position would be determined in a manner consistent with other funding provided to the local school divisions. Third, the extended contracts categorical would only have to cover assistant principal costs and not principal costs, thereby increasing the availability of those funds for extended contract purposes.

Recommendation (1). The State Board of Education should review the standards for regional vocational centers to determine if standards requiring principals, assistant principals, and guidance counselors are appropriate and should be financed as part of the SOQ.

Pending the review by the Board of Education, the General Assembly may wish to retain a portion of the supplemental State payment to contribute to the cost of principals at the regional centers. The General Assembly may wish to eliminate the remainder of the supplemental State payment.

DISBURSEMENT OF FUNDS TO THE REGIONAL CENTERS

One of the problems noted in House Joint Resolution 100 is related to the distribution of State and federal funds to the regional centers. Specifically, the resolution states that "funding for these regional centers was transferred to the school

divisions, leading to delays in distribution of the funds and in the administration and operations of these centers.”

Interviews with center directors and local treasurers serving as the centers’ fiscal agents do not indicate that the process for transferring funds to the centers has caused problems with center operations. However, problems with inconsistent transfer notifications and variations in local transfer processes appear to cause some minor delays in the transfer of State funds.

In addition, differences exist among the centers in the methods for requesting and handling funds from participating localities. Some of the methods appear to unnecessarily hamper the efficient transfer of funds among the parties involved.

Changes in the State Fund Distribution Process

Prior to July 1, 1985, the regional vocational centers were treated as school divisions by DOE for the purposes of distributing State and federal funds. As such, State and federal funds were sent directly to the centers’ designated fiscal agents.

This process led to two primary concerns. First, DOE staff believed that the process was inconsistent with *Code* requirements for proper management and allocation of funds within a local government budget structure. Although no abuses were found, there was concern that the process presented an opportunity for misuse and mismanagement of funds.

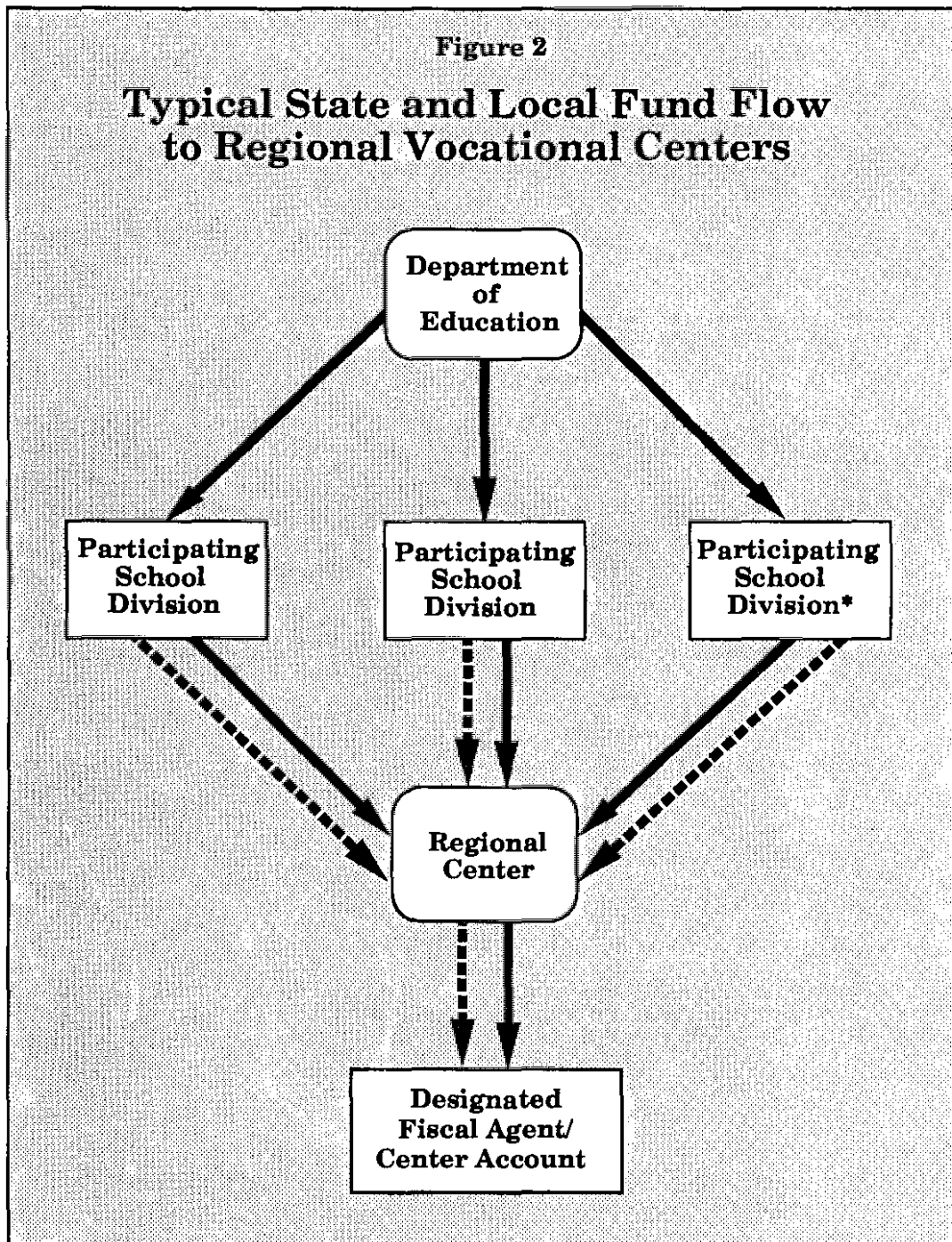
Second, staff from the Auditor of Public Accounts (APA) stated that because the funds flowed directly to the centers, information submitted by the participating localities underreported total local education funding. This affected the comparability of information submitted by localities participating in regional centers with that submitted by localities choosing not to participate.

Consequently, DOE established a new State fund distribution procedure for the regional centers, with the support of the APA (Figure 2). The revised procedure, which is currently in use, requires that State and federal funds for the centers flow “directly to each of the participating school divisions for educating the students being served by each regional center.” Therefore, the State and federal funds have to flow through each of the participating local governments before they can be sent to the centers’ fiscal agent.

Center administrators opposed the procedural change. They were concerned that as the funds flowed through the individual school divisions, there was an increased possibility that the funds would be withheld by the school divisions or “lost” among the other State funds received by the localities. There was also concern that delays resulting from the additional step would affect the ability of the centers to pay expenses and meet payroll obligations. A less significant concern was that interest accumulating on the centers’ fund balances — which is generally included as part of

Figure 2

**Typical State and Local Fund Flow
to Regional Vocational Centers**



*May range in number from two to six participating divisions.

Source: JLARC analysis of interviews with regional vocational center directors and local treasurers, July-November 1990.

—> = State funds
- - -> = Local funds

the centers' anticipated revenue — would be reduced because the centers would no longer have the State and federal funds for as long a period before the funds had to be spent.

Local Variations and Problems with the Current Distribution Process

Since its implementation in 1985, the centers have become accustomed to operating within the parameters of the revised process. Each center, its fiscal agent, and the participating local school divisions have developed methods for transferring funds to adapt to the current process. However, the occurrence of minor delays and local procedural inconsistencies indicate a need for a new fund disbursement process which would eliminate these problems.

Local Variations in Fund Transfers. Under the process currently in use, State funds for school division expenses are electronically transferred to the school divisions for their educational programs. Electronic fund transfer (EFT) notices are subsequently sent to the divisions to ensure that local divisions are aware of the transfer and to document the transaction. In addition, copies of the EFT notices for the funds related to the special center payment are supposed to be sent to the regional vocational centers to notify them that the local divisions have received the State funds.

After funds are distributed to the local school divisions, the process varies slightly from center to center. Most centers assume responsibility for sending periodic written requests to the local school divisions for funding, once the centers' budgets and each locality's total obligation are established. The requests are sent to the local school divisions according to each locality's preference for fund distribution. For example, a center with two participating school divisions may send requests to one school division quarterly and to the other school division monthly.

Requests generally reflect equal segments of each locality's total local and State fund commitment for the center. For example, if a local division's commitment totals \$100,000 in State and local funds, a quarterly request from the center would be for \$25,000. Checks are then sent either directly to the center's fiscal agent or to the center. If the checks are sent to the center, the center must then either (1) deliver the checks to the fiscal agent for deposit or (2) deposit the checks in the center's account and deliver documentation of the transaction to the fiscal agent.

Problems with the Revised Process. Despite initial opposition to the revised process, interviews with regional center directors suggest that the revised process has caused very few delays in the receipt of funds by the centers. Similarly, local treasurers serving as the centers' designated fiscal agents indicated that while the process results in some additional work for their offices, it has caused no significant delays.

However, there appear to be three problems with the process used to transfer State funds to the divisions and, ultimately, to the centers. First, some center directors and bookkeepers reported that copies of the EFT notices are not regularly sent to the

centers confirming transfers of funds to the local divisions. Therefore, the centers cannot be certain when or if the local divisions have the funds available. According to some directors, this uncertainty has caused delays in their ability to pay center expenses and results in administrative time being spent determining if the funds have been sent.

Second, some minor delays occur because certain localities send only the local fund portion of their commitment upon receiving fund requests from the centers. These localities transfer State funds to the centers only upon receiving the electronic transfer of funds from DOE. These localities are typically smaller rural localities and, consequently, have insufficient local funds to cover the payment in anticipation of receiving the State funds.

These two problems could be addressed by altering the current process to once again allow State funds to be transferred directly to the centers' fiscal agents (Figure 3). This adjustment would seem appropriate as part of the DOE effort to separately identify SOQ funding that is targeted for the centers.

EFT notifications would again be sent directly to the centers' fiscal agents, which would alleviate the need for multiple copies of the EFT to be issued by DOE. In addition, this would eliminate any delays that result from having to wait for funds to be transferred from the local divisions to the centers. Finally, it would also address concerns about lost interest payments resulting from the funds flowing to the divisions.

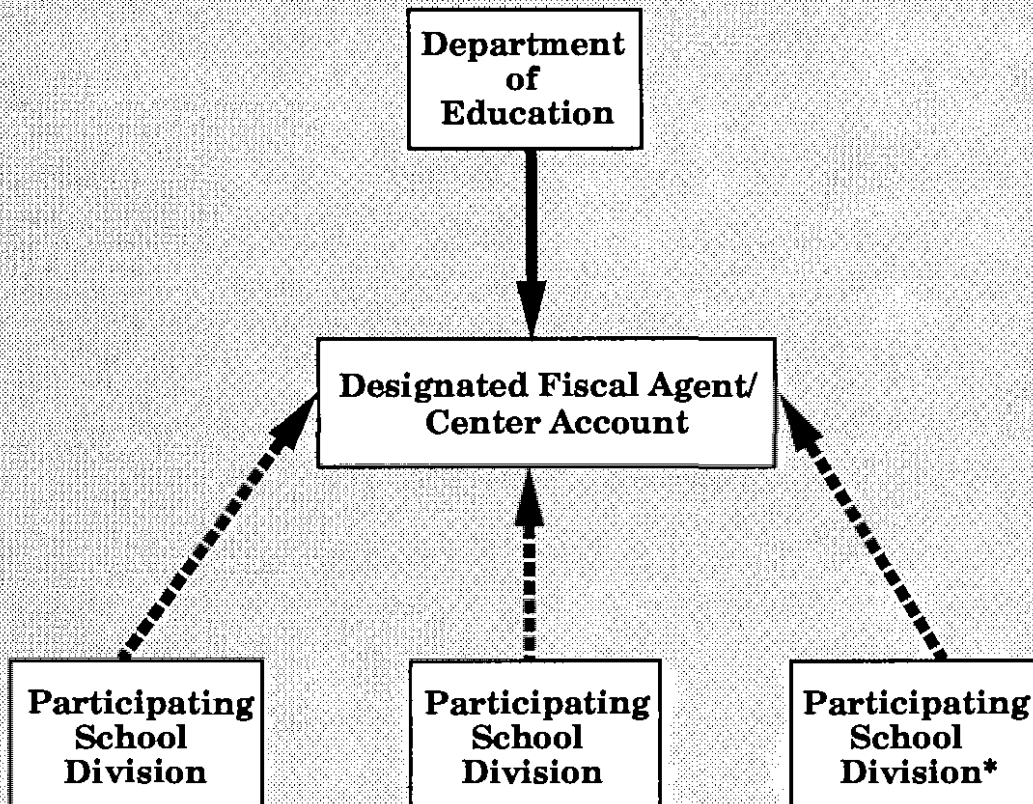
Discussions with APA staff indicate that procedures now exist to allow the transfer of State funds directly to regional operations (such as the regional vocational centers), as long as certain additional reporting and auditing requirements are completed. State funds for the centers would be sent directly to the centers' fiscal agents. However, the centers would be responsible for producing a report that allocated expenditures of the funds to the appropriate localities. These reports would be subjected to audits by the center's auditor and the auditors for each of the participating school divisions. Information from the reports would also be integrated into the information on local education expenditures submitted to the APA to ensure the information is comparable among all localities.

Recommendation (2). The Department of Education, in consultation with the Auditor of Public Accounts and representatives of the regional vocational centers, should revise the fund transfer process for the regional centers. The revised process should allow for the direct transfer of State and federal funds to the designated local fiscal agents of the regional centers. The revised process should adhere to all applicable requirements of the Code of Virginia and ensure that expenditure information is reported in a manner comparable with other localities in the Commonwealth.

The third problem with the fund transfer process is the variance in the methods used by the centers to request and receive the funds from the participating

Figure 3

Proposed State and Local Fund Flow to Regional Vocational Centers



*May range in number from two to six participating divisions.

Source: JLARC analysis.

—▶ = State funds

- - -▶ = Local funds

school divisions. As stated earlier, most of the centers take a lead role in requesting funding from the local divisions. This appears to be an appropriate role for the centers to assume.

However, six centers directly receive the checks from the participating school divisions for State and local funding. The centers must then either deliver the checks to their designated fiscal agent for deposit into their account or deposit the checks themselves. This not only adds another step to the transfer process, but also increases the likelihood that the check may be misplaced or misappropriated.

Recommendation (3). Fund transfers from the participating local school divisions to the regional centers should flow directly from the school divisions to the centers' designated fiscal agents for deposit into the centers' accounts. Notification of these transfers should be sent to the centers at the time the transfers are performed.

APPROPRIATENESS OF REGIONAL VOCATIONAL CENTER FUNDING METHODOLOGY

Under the current State cost and funding methodology, the programs of the regional centers are funded consistently with the way that programs are funded if they are provided in school divisions. This approach achieves equity in funding across vocational education programs, and is consistent with the rationale for establishing the regional centers. The rationale for the centers is that through collaborative effort, localities can establish programs that are more economical, or of higher quality, or both, than they could individually. By providing State funding to the localities with centers using the same methods that would be applied if they operated singly, the localities with centers are able to realize benefits from the regional operation. For example, through the current approach, the regional centers receive credit in State funding for 1.2 teachers per six periods taught, instead of the one position that they would receive under an actual cost or approved cost approach.

Alternative funding approaches have been suggested for the regional vocational centers by some center principals and the Board of Education. In Senate Document 10 (1990), the Board of Education recommended use of the special education regional center funding approach. The background for the recommendation was school division concern that the current methodology for regional vocational centers "does not calculate accurately the cost of operating these programs". However, the current SOQ funding methodology is intended to fund SOQ costs, not actual costs incurred. Further, even if actual costs are used as a benchmark for comparison, this report shows that calculated SOQ costs are realistic compared to center operating budgets, particularly when it is considered that principal and assistant principal costs are funded by the State outside of the SOQ structure.

Because the regional vocational education and special education centers are fundamentally different, it is difficult to draw firm conclusions as to how the State would adapt the special education approach to meet vocational education needs. However, a review of the special education regional approach raises concerns that a similar structure applied to vocational education could make the administration of State funding more complex, less predictable, less equitable, and more highly regulated.

The regional special education centers are funded based on a rate-setting process for approved costs. DOE staff need to review proposed cost items to determine whether those items meet the criteria for approved costs. Then a rate needs to be set that is negotiated with cost-providers, within the parameters of allowable increases prescribed by State regulations. The process requires a substantial commitment of DOE staff time. The negotiation process means that costs are less predictable. The use of the process would mean that regional centers would be funded on a fundamentally different methodology than is used for vocational programs provided in the school divisions. The result of the process could be higher or lower cost recognition for center activities, depending on the rules and regulations that are applied. For the regional special education centers, utilization rates are established to calculate costs, and these utilization rates appear to be higher than the utilization levels achieved by the vocational centers.

The main benefit that the regional special education approach would appear to offer over the regional vocational education approach is that funding to the special education centers is based on an aggregate State share of 60 percent, which is higher than the aggregate State share for SOQ accounts. The use of a higher aggregate share, however, is purely a policy choice.

Recommendation (4). The Department of Education should continue to apply the State SOQ cost and funding methodology to the regional vocational centers.

Appendixes

	<u>Page</u>
Appendix A: Study Mandate	40
Appendix B: Agency Responses	41

Appendix A
Study Mandate

GENERAL ASSEMBLY OF VIRGINIA--1990 SESSION

HOUSE JOINT RESOLUTION NO. 100

Requesting the Joint Legislative Audit and Review Commission to include in its study of the Department of Education an examination of the funding of vocational education technical centers and programs.

Agreed to by the House of Delegates, February 13, 1990

Agreed to by the Senate, February 27, 1990

WHEREAS, pursuant to Article VIII of the Virginia Constitution, the General Assembly has been charged to "ensure that an educational program of high quality is established and maintained"; and

WHEREAS, vocational education, providing invaluable occupational training and preparation for entry into the work force, is a vital part of our system of public education; and

WHEREAS, pursuant to § 22.1-26 of the Code of Virginia, some school divisions operate regional vocational technical centers to provide efficient and economic delivery of vocational education to our youth; and

WHEREAS, in September 1989, funding for these regional centers was transferred to the school divisions, leading to delays in distribution of the funds and in the administration and operation of these centers; and

WHEREAS, additional state payment "disbursed to regional vocational centers which received Occupational-Vocational Education payments under authority of Chapter 723, 1987 Acts of Assembly" will not continue beyond the 1988-90 biennium; and

WHEREAS, these programs require substantial funding to maintain and update the complex technological equipment necessary to train vocational students; and

WHEREAS, the availability of vocational programs and training centers may encourage students to complete their education and become productive, contributing citizens of the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission is requested to include in its study of the Department of Education an examination of the funding of vocational education technical centers and programs. The Commission shall consider the Commonwealth's commitment to provide quality public education for our youth, as well as funding methods which reflect efficiency and economy.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1991 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix B

Agency Responses

As part of an extensive data validation process, each State agency involved in a JLARC assessment effort is given the opportunity to comment on an exposure draft of the report. Exposure drafts were sent to the Secretary of Education, the Department of Education, and the 11 regional vocational education centers. This appendix contains the responses of the Department of Education and five of the regional centers.

Appropriate technical corrections resulting from the written comments have been made in this version of the report. Page references in the agency responses related to an earlier exposure draft and may not correspond to page numbers in this version of the report.

WGA 2 1990



COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

P.O. BOX 6-Q

RICHMOND 23216-2060

November 29, 1990

JOSEPH A. SPAGNOLO, JR., Ed.D.
Superintendent of Public Instruction

Mr. Philip A. Leone, Director
Joint Legislative Audit and
Review Commission
Suite 1100, General Assembly Bldg.
Capital Square
Richmond, Virginia 23219

Dear Mr. Leone:

Thank you for giving me the opportunity to review the exposure draft of your report, State Funding of the Regional Vocational Education Centers in Virginia. Your staff should be commended for their fine work with this report. I do have one concern with this report, however, that I would like to share with you. The Department of Education does not support Recommendation #2 which states:

"The Department of Education, in consultation with the Auditor of Public Accounts and representatives of the regional vocational centers, should revise the fund transfer process for the regional centers. The revised process should allow for the direct transfer of State and federal funds to the designated local fiscal agents of the regional centers. The revised process should adhere to all applicable requirements of the Code of Virginia and ensures that the expenditure information is reported in a manner comparable with other localities in the Commonwealth."

Our concerns with this recommendation include the following:

A. Accountability:

Our chief concern with this recommendation is the identification of the educational cost incurred at the center for each of the participating school divisions. We believe that this recommendation will increase the difficulty of determining a school division's share of the center's operating cost and thus lead to the participating school divisions underreporting the cost of education for their students.

B. Identification of State Funds:

One of the major concerns raised by the center directors with the current funding methodology was the inability to

determine the exact amount of state funds received by the participating school divisions for the programs operated at the centers. This inability to determine these state funds has led to the perception that State revenues supported only 20 percent or less of the center budgets. DOE staff has developed a procedure, however, to identify all state SOQ funds received by the school division for the Center's programs. This information will assist the centers and the school divisions in the development of the Center's operating budget. With this proposed procedure, it is not necessary to send state funds directly to the centers to determine the state contributions to these programs.

C. Local Control:

The 1990-92 Appropriations Act requires a state payment in the amount of \$1,529,866 in 1990-91 and \$509,955 in 1991-92 to be disbursed to the regional vocational centers. This recommendation goes beyond this language, however, by requiring the Department of Education to transmit directly to the center's fiscal agent the state share of the SOQ cost calculated for the programs operated at the centers. Currently these state funds are included in the participating school division's Basic Aid, Vocational Education SOQ, and Fringe Benefit accounts. It is the responsibility of each participating local school division (not the state's responsibility) to determine and to fund its share of the operating budget approved for each regional center. It should not concern the centers whether these funds come from state or local sources. Therefore, the Department of Education should not usurp the authority of the local school boards by dictating the amount of state funds to be received by the centers from each school division.

In addition, if these funds are transferred directly to the centers, we have reduced the flexibility of the local school divisions in absorbing the large reduction in State SOQ funds required in the 1991-92 fiscal year.

Please be aware that if the current methodology for the distribution of SOQ funds is retained, we will work with the centers and the participating school divisions to eliminate the minor delays in transmitting state funds from the school divisions to the centers.

Please contact me if you require additional information.

Sincerely,



Joseph A. Spagnolo, Jr.
Superintendent of Public Instruction

PIEDMONT TECHNICAL EDUCATION CENTER**GOVERNED BY REGIONAL CONTROL BOARD****P. O. BOX 999****CULPEPER, VA 22701****TELEPHONE (703) 825-0476**

November 27, 1990

Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, Virginia 23219

Dear Mr. Leone:

This letter is in response to your letter of November 15, 1990 concerning the "Exposure Draft" of State Funding of the Regional Vocational Education Centers in Virginia.

We support Recommendation Number 1, but feel it should be expanded to include Assistant Principals and Guidance Directors. On page 41 reference is made to the possibility of the General Assembly maintaining funds to help support the positions of Principal. I would like to encourage the inclusion of Assistant Principals and Guidance Directors in this category since they are an integral part of a center's operation and neither is included in the S.O.Q.

We support Recommendations Number 2 and 3 directing fund transfers to the center's finance offices since it reestablishes procedures that were discontinued years ago.

Recommendation Number 4 needs clarification as to the exact financial impact on local schools. A detailed breakdown of the basic aid S.O.Q. formula should be provided for each participating division showing the projected income for both the local division and the center's allocation. (This would provide an accounting of center funds presently co-mingled with local funds. Also, this would allow local school divisions to evaluate and plan for future funding changes.)

Additional consideration should be given to the high cost of vocational courses versus academic programs. Considering shop safety and equipment limitations, enrollments usually run about half that of an academic course. This is evidenced by your chart

Philip A. Leone, Director
Page 2
November 27, 1990

on page 21 depicting an average center's enrollment of 11.76 per class. An adjustment might be made by increasing the 1.2 factor to a higher figure.

Thank you for the opportunity to review the "Exposure Draft". We are delighted with the interest both you and the legislature have expressed in our joint centers. I trust that there is sufficient time to evaluate our suggestions for possible inclusion in your report.

Sincerely,



Renfro C. Manning
Executive Officer

dem

An Area Vocational School Serving the County of Clarke, County of Frederick, and City of Winchester

DOWELL J. HOWARD VOCATIONAL CENTER
1281 VALLEY MILL ROAD
WINCHESTER, VIRGINIA 22601

OFFICE OF THE PRINCIPAL
PHONE 662-0077

GENERAL OFFICE
PHONE 662-8997

November 27, 1990

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Richmond, VA 23219

Dear Mr. Leone:

Thank you for the opportunity to review the draft of your report on State Funding of the Regional Vocational Education Centers in Virginia,

Based on our interpretation of the terminology, we are generally pleased with your conclusions and recommendations. Your conclusion that State funds should go directly to the designated fiscal agents of the centers rather than the school divisions would reinstate a procedure that will greatly expedite and simplify the funding process,

The statement to consider retaining a portion of the state supplemental payment to pay a State share of the compensation for center principals hopefully will include assistant principal positions as well. Currently both of these positions are being funded on an equal basis,

Again, we thank you for providing the draft of this report for our input prior to the December 10 meeting of the Legislative Audit and Review Commission,

Sincerely yours,



Daniel A. Shenk
Principal

DAS/red

pc: Ms. Dorothy Brewer
Mr. Richard Glowinski



New Horizons

TECHNICAL CENTER

520 Butler Farm Road
Hampton, VA 23666

(804) 766-0000

DR. RALPH W. JOHNSON
Director

November 28, 1990

Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building,, Capitol Square
Richmond, Virginia 23219

Dear Mr. Leone:

We deeply appreciate the thoroughness of the "Exposure Draft" of the State Funding of the Regional Vocational Education Centers in Virginia. It is obvious to me that your staff spent a great many hours studying information that was supplied by each center.

However, our copy of the report did not arrive until the afternoon before the Thanksgiving Holiday. Therefore, we are still formulating our response and will not be able to meet your deadline of November 28, 1990. We should have a letter in your hands by Thursday, December 6, 1990. At this time, I would like to call to your attention the letter sent by Mr. Renfro C. Manning, Executive Officer of Piedmont Technical Education Center. Their concerns are very similar to ours and their comments will reflect some of the same thoughts that will be in our letter. Since we will be past your response deadline, we did want to lend weight to their recommendations.

Unfortunately, I will be out of town for the next few days but any questions you may have should be directed to:

Dr. Raymond Vernall
Superintendent-in-Charge of New Horizons
Poquoson City Schools
P.O. Drawer 2068
Poquoson, VA 23662
Telephone: (804) 868-6666

Thank you for the opportunity to review the draft and for your understanding of our delay.

Sincerely yours,

Ralph W. Johnson
Ralph W. Johnson, Ed.D
Director

RWJ:jt

Enclosure

CC: Dr. Raymond Vernall



ds On,
Head First,
to The Future

VOCATIONAL EDUCATION CENTER

1281 VALLEY MILL ROAD
WINCHESTER, VIRGINIA 22601-6199
(703) 667-9744

Dorothy M. Brews
Richard W. Harvey
James H. Snyder

November 28, 1990

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 11500, General Assembly Building
Richmond, VA 23219

Dear Mr. Leone:

As the area vocational director for three school divisions which are served by the regional Dowell J. Howard Vocational Center, I was asked by Mr. Daniel Shenk as principal to react to your November 15 letter and the "Exposure Draft" of the report, State Funding of the Regional Vocational Education Centers in Virginia. I had the opportunity of meeting with the JLARC team on their visit to DJHVC in early October.

I find the report generally positive by recognizing the contributions these regional facilities make and acknowledging the good results they are achieving.

RECOMMENDATION (1) - I support but believe it should be expanded to include at least Assistant Principals and possibly Guidance Directors. These positions are critical to the work of regional vocational centers and should be included in the S. O. Q.

RECOMMENDATIONS (2) AND (3) - I support the direct fund transfers since this was the practice some years which proved to be very satisfactory to both school divisions and regional vocational facilities. Improved communications on funding and revenues will result from the reinstatement of these procedures. I am concerned, however, that no new funds to support the high costs of operating regional vocational facilities are being proposed, only a redirection of existing revenues.

RECOMMENDATION (4) - I believe clarification is still needed on this issue as to the actual impact on supporting school divisions. I would not support a structure similar to funding regional special education facilities if the state funding would become more complex, less predictable, less equitable, or more highly regulated.

Transportation costs involved with regional vocational centers appear not to be addressed in this report, a concern that I still have. I know that this issue has been discussed extensively by my regional vocational center colleagues.

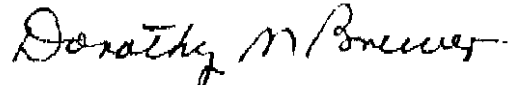
Mr. Philip A. Leone

Page 2.

November 28, 1990

I am pleased to have the opportunity to share with you my reactions on this report.

Yours very truly,

A handwritten signature in cursive script that reads "Dorothy M. Brewer".

Dorothy M. Brewer
Area Vocational Director

Copy: Dr. John C. Capehart
Mr. Dennis W. Kellison
Mr. R. Thomas Malcolm
Mr. Daniel A. Shenk

**NORTHERN NECK REGIONAL VOCATIONAL CENTER**

P.O. BOX 787
WARSAW, VIRGINIA 22572
PHONE: 804/333-4940

Elizabeth M. Russell
Principal

George C. Fiddler
Assistant Principal

Richard A. Bowers
Guidance/Placement

November 28, 1990

Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, Virginia 23219

Dear Mr. Leone:

This letter is in response to your letter of November 15, 1990 concerning the exposure draft of "State Funding of the Regional Vocational Education Centers in Virginia".

We support Recommendation Number 1, but feel it should be expanded to include Assistant Principals and Guidance. Both the assistant principal and guidance positions are an integral part of a center's operation. Neither of these positions is included in the S.O.Q.

Recommendations 2 and 3 directing fund transfers to the center's fiscal agent re-establishes funding procedures prior to 1985. We are in agreement with this being initiated again.

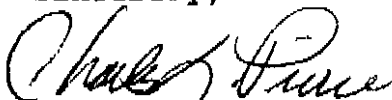
In reference to Recommendation 4, additional information needs to be provided on the basic aid S.O.Q. formula indicating the projected income for both the local division and the center's allocation for each participating division. This would help in the accounting of center funds currently co-mingled with local funds.

Consideration should also be given to the cost of transportation for the participating divisions. Travel time for four of our participating divisions is such that bus drivers must remain at the center to bring the students back. This results in a higher salary for bus drivers, in addition to the normal costs of bus maintenance and fuel. In addition, consideration should be given to the high cost of vocational courses due to the limitation of enrollment. Shop safety and equipment limitations necessitate smaller enrollments than are permitted in academic courses. These two items would indicate that the 1.2 factor used should be increased.

JLARC
Page 2

Thank you for the opportunity to review the exposure draft. We appreciate the interest which both you and the legislature have expressed in our regional centers.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Pierce".

Charles Pierce
Executive Superintendent

eem

● JLARC Staff

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Director

Philip A. Leone

Deputy Director

R. Kirk Jonas

Division Chief

● Glen S. Tittermary

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Gregory J. Rest, Research Methods

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Suite 1100, General Assembly Building
Capitol Square, Richmond, VA 23219
(804) 786-1258

