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JOINT LEGISLATIVE
AUDIT AND REVIEW COMMISSION ON

Funding the Standards of Quality Part 2: SOQ Costs and Distribution

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

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PREFACE

This report is the second in a series on elementary and secondary education in Virginia. The review of public education was scheduled by Senate Joint Resolution 35 (1982), as required by the Legislative Program Review and Evaluation Act. In the first study of the series, JLARC staff reviewed the methods for calculating the costs of the Standards of Quality (SOQ). In the current study, the review has been broadened to include distribution issues, and the methods for calculating SOQ costs have been revised.

Our analysis of the funding of the Standards of Quality has resulted in two primary findings. First, the basic structure of funding for elementary and secondary education in Virginia is essentially sound. Virginia's approach to funding for public education includes the recognition of need and ability to pay. These strengths reflect a long-standing commitment by the State to ensure that a program of high quality education is available to all children in Virginia.

The second finding, however, is that the State could be doing more to reduce the disparities in funding that still exist. In the report, we have identified a number of significant changes to both the method for calculating costs and the method for distributing funds which should help to reduce disparities. The changes promote two goals for the funding of the Standards: pupil equity and tax equity.

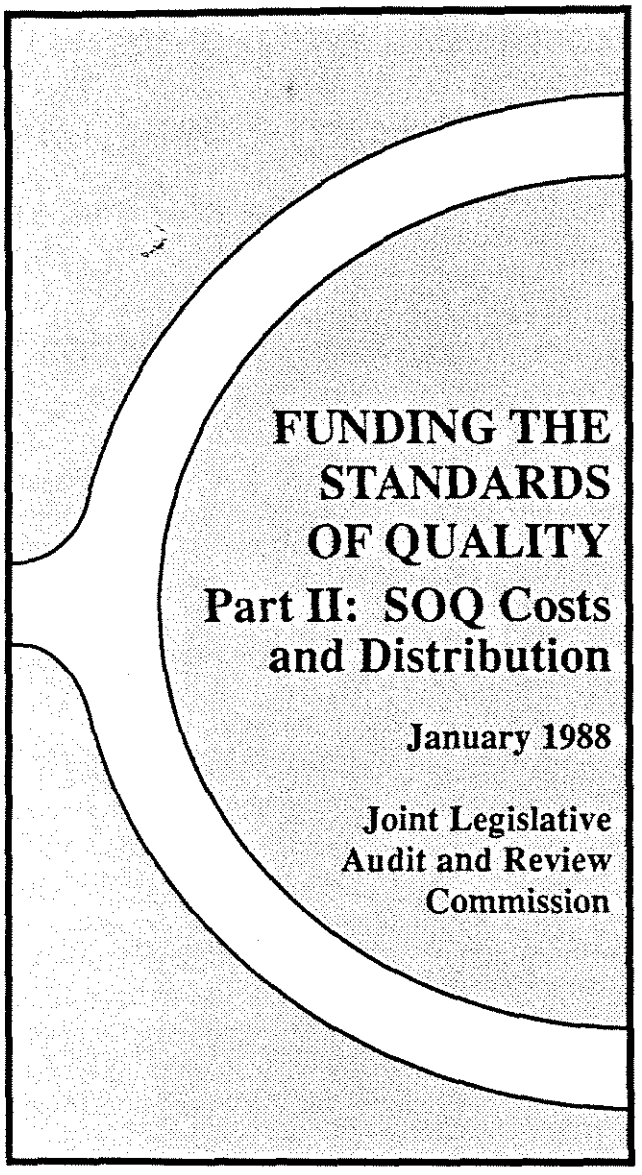
Pupil equity is better promoted by a more accurate calculation of the costs of implementing the Standards in the school divisions. The revised methods in this report are more sensitive to the unique circumstances of the school divisions in terms of required staffing, salaries, and pupil transportation costs. Based on our analysis of potential improvements for calculating SOQ costs, the total State and local costs for the 1988-1990 biennium are estimated to be $6.213 billion.

Tax equity is advanced by a more accurate measure of ability to pay, and by broader, more uniform use of the measure in distributing funds. Our analysis included a review of the composite index and revenue capacity. We also examined greater equalization of the SOQ accounts, to ensure that those localities with the least ability to pay receive the greatest assistance from the State. To illustrate the impact of the different distribution choices on funding, we have included seven options at the end of this report. These options provide a framework for discussions and informed policy decisions about how to reduce disparity in funding the Standards of Quality.

On behalf of the Commission staff, I wish to express our appreciation for the cooperation and assistance extended to us by the staffs of the Department of Education, the Department of Planning and Budget, the Senate Finance Committee, and the House Appropriations Committee in the preparation of the report.

Philip A. Leone
Director

January 26, 1988



The largest program of State aid to localities in Virginia is financial aid for elementary and secondary education. Most of this aid is provided as assistance to localities to help meet the costs of the Standards of Quality (SOQ). In FY 1988, State appropriations for SOQ costs totalled more than $1.85 billion.

The Standards of Quality are the cornerstone of State requirements and funding for elementary and secondary education in Virginia. The State Constitution requires the Board of Education to prescribe standards of educational quality for local school divisions. The legislature may revise the standards and enact them into law, and is responsible for the apportionment of the costs of the standards between the State and localities. The Standards of Quality represent the minimum requirements for a high quality program in all school divisions across the Commonwealth.

This report is the second in a series on the funding of elementary and secondary education in Virginia. The first report assessed the statewide costs of the SOQ using the existing distribution system. For the current study, the scope of the review was expanded to include distribution issues. SOQ cost data have been updated, some refinements to the cost methodology to promote equity have been proposed, and distribution options have been explored.

This study represents a comprehensive approach to SOQ funding for operating costs. The study does not focus just on the State's basic aid formula, but is a broad-based review of funding for the Standards. Capital outlay and debt service costs, which have not been traditionally regarded as part of the SOQ funding framework, were not reviewed.

A JLARC REPORT SUMMARY

Goals for Funding the Standards of Quality

The funding of any State program is designed to promote certain goals. JLARC staff identified a number of different broad goals which could be used in varying degrees in funding educational programs. Within the constitutional and statutory framework in Virginia for the SOQ, two of these goals appear to be primary: pupil equity and tax equity.

Pupil Equity. The goal of pupil equity is ensuring that school divisions have the resources necessary to provide a meaningful foundation program of education. The "meaningful foundation program" is defined by the SOQ, and the key to achieving pupil equity is to calculate accurately and fully the

costs in each school division that can be attributed to the Standards.

Tax Equity. The second goal is tax equity, or the goal of ensuring that the proportion of resources required from local governments to fund an education program does not vary too greatly. Because local tax resources are not evenly distributed throughout the Commonwealth, the SOQ funding structure has included an "equalizing" component which bases State funding on the relative abilities of the localities to raise revenues. Under equalization, the greater a locality's ability to pay, the less State aid it receives; the lower a locality's ability to pay, the more State aid it receives. The key to promoting greater tax equity is to ensure that local ability to pay is accurately measured and broadly applied.

Issues Related to Pupil and Tax Equity. JLARC staff conducted eight regional workshops, toured schools, and reviewed education literature to help define the issues related to the goals of pupil and tax equity. Two broad issues emerged:

- Can SOQ cost calculations and State SOQ aid be more sensitive to local conditions?

- Can Virginia do more through State funding to compensate for disparities in local abilities to pay for education?

In addressing these issues, the JLARC staff analysis resulted in two key findings. First, the basic structure of funding for elementary and secondary education in Virginia, properly applied, is essentially sound. The strengths of Virginia's approach include the State and local partnership in funding the SOQ, the recognition of a wide range of costs necessary to provide for the SOQ program, the distribution of significant State funds based on local abilities to pay, and the use of a measure of ability to pay that reflects a broader range of local resources than just real estate tax revenues.

The second finding, however, is that Virginia can do more to promote the goals of pupil and tax equity. Improvements can be made in the methods used to calculate SOQ costs, and the methods used to distribute funds can be better designed to reduce the disparity in funds available for the SOQ program.

More Can Be Done To Promote Pupil Equity

A key aspect to promoting pupil equity in SOQ cost calculations is to recognize unique circumstances beyond local control that increase local costs. Under the approach currently used to calculate SOQ basic aid costs, a single per-pupil cost is applied to the student population for each school division. While the use of a single per-pupil amount is appropriate for most costs, there are costs for which local variations are not related to the number of students. For these costs, the use of a single amount per pupil does not promote pupil equity.

The current funding system places too heavy a reliance on a single per-pupil cost for all localities in funding the SOQ. Factors for which local differences should be recognized include instructional staffing levels, competitive salaries, and pupil transportation. In addition, pupil equity can be achieved only when both the State and the local governments provide funding for the full cost of the program.

SOQ Instructional Staffing Requirements. Instructional positions include those personnel who work in the schools and are involved in the process of instructing pupils. The Standards of Quality include a number of quantified standards defining minimum staffing levels for instructional personnel. In addition, the Appropriations Act requires divisions to provide 51 positions per 1,000 pupils for basic instruction, and 57 positions per 1,000 pupils for basic, special, and vocational education.

In assessing division-level variations in total SOQ instructional personnel required, JLARC staff updated and refined the SOQ Part I staffing analysis. The analysis showed

that seven divisions require more that 51 positions per 1,000 pupils to meet basic instructional program needs, and that 74 divisions will require more than 57 positions per 1,000 pupils for basic, special, and vocational education if the new Board of Education standards are adopted.

The Cost of Competing in Regional Labor Markets. There are significant differences in the salary levels offered by school divisions in the Commonwealth. The current approach to funding the SOQ program recognizes the same salary levels throughout the Commonwealth, however. This approach raises equity concerns if some localities compete in higher-cost regional wage markets, a factor beyond local school division control. To examine the issue of differences in local or regional labor markets, JLARC staff reviewed average weekly wage data from the Virginia Employment Commission. The data indicated differences in regional job markets, especially in Northern Virginia. Adjusting for salary differences in Northern Virginia, as the State does for its own classified employees, would appear to improve pupil equity by recognizing cost differences that are beyond local control.

Pupil Transportation. For pupil transportation, JLARC staff analysis indicated that two key factors largely beyond local control have an impact on costs: the number of pupils transported and land area. There are some interactive effects between the two variables. The highest costs were found in sparse localities, with large land areas and small numbers of pupils transported. Given the major differences in the cost per pupil transported, pupil equity is improved by grouping localities based on land area and pupils transported, and recognizing cost differences.

Requiring Local Expenditures for SOQ Programs. Finally, pupil equity is promoted by ensuring that the full cost of the SOQ program is funded in all localities. Under the current approach, the State monitors whether localities are spending sufficient funds to cover the local share of basic operating costs. However, the State also distributes funds for other SOQ programs, such as special education, vocational education, and remedial education. The current State share of these costs is 50 percent. To fully fund the SOQ, localities must also provide their share of these costs. Pupil equity would be advanced if required local expenditure calculations included the local share of all SOQ program costs.

More Can Be Done To Promote Tax Equity

Tax equity is the second important goal for the SOQ funding system. Because not all localities have equal financial resources, the goal of tax equity focuses on the idea that without State support, local efforts that are required to pay for the SOQ program can be disproportionate. The application of the tax equity concept involves providing State aid to help compensate for disparities in local ability to pay for the SOQ foundation program.

Two key choices in addressing the tax equity issue are selecting the measure that should be used to represent local abilities to pay for program costs, and determining the extent to which this measure will be used in distributing State funds.

Selecting a Measure of Ability to Pay and Calculating Local Shares. A measure of local ability to pay is necessary to determine the local share of funding for SOQ equalized accounts. JLARC staff reviewed two major measures of ability to pay. The first measure, the composite index, is the measure currently used to calculate local shares. The composite index compares the size of each locality's tax base (relative to its population and its average daily "student" membership or ADM) with the collective statewide size of local tax bases (relative to statewide population and ADM). A significant limitation of the composite index is its application of statewide weights to determine the importance of different revenue sources in the calculation. The weights are set at 50 percent for local true values for real estate,

10 percent for local taxable retail sales, and 40 percent for "other" revenues as proxied by income. The composite index therefore does not adjust for local variation in the importance of the tax bases.

Revenue capacity is an alternative measure provided in Virginia by the Commission on Local Government. The measure is based on the "average tax rate" approach of the U.S. Advisory Commission on Intergovernmental Relations. The measure applies average tax rates across the different local tax bases to calculate potential revenue yields. A benefit of this approach is that it adjusts for local variation in the relative importance of the various tax bases. The conclusion of the JLARC staff review was that revenue capacity is a more accurate measure of local ability to generate revenue than is the composite index.

Revenue capacity can be used to calculate the proportion of SOQ funding that is to come from local governments in two different ways. In the first method, a "local revenue index" is calculated in much the same way as the composite index. The local revenue index compares the revenue capacity in each locality (relative to local population and ADM) to statewide revenue capacity (relative to statewide population and ADM). In the second method — equalized effort — no index is calculated. Instead, the cost of the SOQ program statewide is compared to statewide total revenue capacity to establish the proportion of revenue capacity required for the SOQ program. This established proportion of revenue capacity is then applied to the local capacity for each county and city, to calculate each local government's contribution to the SOQ program.

The three measures above consider a local government's ability to pay for the SOQ program, and are based on the assumption that local governments can tap equal revenues from equal tax bases. An alternative approach to measuring ability to pay focuses on the income of local residents. Under this approach, it is assumed that ability to pay is rooted in the income of local residents, even if income cannot be taxed directly by local governments. For this study, JLARC staff developed an index based on median adjusted gross income as a measure of relative local income. As a policy choice, that index can be used to adjust local shares.

The Extent of Equalization. Largely separate from the choice of the particular measure of ability to pay is the question of the extent to which State funds should be distributed on the basis of local ability to pay. Equalizing more State funding, or distributing more on the basis of local ability to pay, is a key way for the State to help compensate for local disparities. Revenue capacity and State aid data, as well as a review of current distribution rules, raise the concern that the State participation may be too little in localities with low abilities to pay and too much in localities with high abilities to pay. Increasing the use of equalization (which has fallen from 56.2 percent of State funding in FY 1975 to 53.8 percent during the 1986-88 biennium) would be an important step to address this problem.

Illustrative SOQ Funding Options

During this study, JLARC staff developed a framework for assessing the impact of different choices in each of the issue areas outlined above. Seven options are provided to illustrate the framework and the impact of making various distribution choices. Certain factors were held constant across the illustrative options to permit comparison, and to isolate the impact of distribution choices. All of the options, for example, are based on the use of the cost refinements to promote pupil equity and a 5.8 percent annual salary increase for instructional personnel. The total biennial SOQ cost for the seven options is estimated at $6.2 billion. The options are summarized in the fold-out table on the next page. 

Summary of JLARC Illustrative Options

	OPTION 1	OPTION 2
Positions		
Recognize 51 Basic, 57 Total For All Divisions		
Recognize Positions Above 57	✓	✓
Applying New Standards	YES	YES
Salary Increase Each Year	5.8%	5.8%
Cost of Competing	YES	YES
New Pupil Transportation Methodology	YES	YES
Local Share Calculation		
Composite Index	✓	✓
Local Revenue Index		
Equalized Effort		
Income Adjustment to Local Shares	NO	NO
State Share of Equalized Accounts, Year 1	50%	50%
State Share of Equalized Accounts, Year 2	50%	52%*
Aggregate State Share, All Accounts	63.17%	63.27%
Equalized Accounts		
Basic Aid	✓	✓
Vocational Education	✓	✓
Special Education	✓	✓
Gifted and Talented	✓	✓
Remedial Education	✓	✓
Fringe Benefits		✓
Pupil Transportation	✓	✓
Other Categorical Programs		
Required Local Expenditure		
Basic Aid Only		
All SOQ Programs	✓	✓
Total Cost	$6,213,388,897	$6,213,388,897
State Cost	$3,924,880,432	$3,931,224,094
Local Cost	$2,288,508,465	$2,282,164,803
Total State Increase Over Previous Biennium	$ 379,715,767	$ 386,059,429
State General Fund Increase Over Previous Biennium	$ 299,522,104	$ 305,865,766

* *Fringe benefits equalized at 90% in the second year.*

OPTION 3	OPTION 4	OPTION 5	OPTION 6	OPTION 7
✓	✓	✓	✓	✓
YES	YES	YES	YES	YES
5.8%	5.8%	5.8%	5.8%	5.8%
YES	YES	YES	YES	YES
YES	YES	YES	YES	YES
✓	✓	✓		
			✓	✓
NO	NO	YES	NO	YES
50%	50%	50%	50%	50%
50%	52%*	50%	50%	50%
62.94%	63.05%	62.15%	63.72%	62.75%
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
$6,213,388,897	$6,213,388,897	$6,213,388,897	$6,213,388,897	$6,213,388,897
$3,910,692,658	$3,917,310,339	$3,861,750,245	$3,959,283,261	$3,898,881,410
$2,302,696,239	$2,296,078,558	$2,351,638,652	$2,254,105,636	$2,314,507,487
$ 365,527,993	$ 372,145,674	$ 316,585,580	$ 414,118,596	$ 353,716,745
$ 285,334,330	$ 291,952,011	$ 236,391,917	$ 333,924,933	$ 273,523,082

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I. INTRODUCTION

The largest program of State aid to localities in Virginia is financial aid for elementary and secondary education. Most of this aid is provided as assistance to localities to help meet the costs of the Virginia Standards of Quality (SOQ). The SOQ are standards of educational quality for local school divisions that are prescribed by the State. In FY 1988, State appropriations for SOQ costs totalled more than $1.85 billion.

The SOQ concept originated with the revised State Constitution of 1971, which requires that State standards of quality be prescribed by the Board of Education, and provides that the General Assembly may revise the standards and enact them into law. The standards are used to determine the minimum program of high quality education that must be offered by all school divisions. Many of the standards, such as maximum class size standards, require the provision of certain resources and therefore entail costs. State financial assistance is provided to localities to meet Constitutional requirements that the costs of the prescribed program be shared between the Commonwealth and the localities.

This report is the second in a series on elementary and secondary education in Virginia. The first report assessed the statewide costs of the SOQ using the existing distribution system. The key finding of that report was that under the existing distribution system, to fully fund its share of SOQ costs the State needed to increase its funding by $273.4 million from all sources during the 1986-88 biennium (when compared to the budget target, FY 1986 funding times two). Of this amount, $161.4 million in additional State general funds was required.

This was a significant biennial increase, but it was primarily due to increases necessary to achieve salary goals and to inflation projections. Calculated SOQ costs for FY 1986 (the base year) under the new cost methodology were less than the costs based on the prior cost methodology. While the JLARC staff methodology for calculating the costs was accepted in the approved State budget, additional State "transitional" money was provided to localities to help them adapt to the change in methodologies, and to provide an incentive fund for localities willing to increase teacher salaries by ten percent or more.

This JLARC report updates the cost analysis of the first report by using more recent data. In addition, the scope of the review is expanded in this report to include SOQ distribution issues. Accordingly, the report reexamines SOQ cost issues in light of potential changes in cost distribution assumptions; and it evaluates different distribution options by examining school division costs and local revenue resources. This report does not include a review of capital outlay or debt service costs, which have not traditionally been regarded as a part of the SOQ funding framework.

As part of the study process, the constitutional, statutory, and historical goals for the SOQ were considered. Virginia education literature was reviewed, regional workshops were conducted, and school visits were made to

help identify study issues. A study approach was developed that would provide a framework for evaluating different ways of distributing State funds to localities to help them meet SOQ costs.

GOALS FOR DISTRIBUTING SOQ FUNDS

During the design of this study, 11 different broad goals were identified that could be used in varying degrees to assess an educational funding system:

- pupil equity
- tax equity
- efficiency
- local control
- incentives for achievement
- incentives for greater local effort
- maximize simplicity
- challenge each pupil
- costs realistic in relation to State and local resources
- consistency with tradition
- no locality losses

Of these goals, the highest priorities for this SOQ funding study were given to pupil and tax equity. These two goals have clear links to the constitutional, statutory, and historical context for the Standards of Quality, and they are the two goals that are essential to constructing a meaningful system for the State funding of education. Several of the other goals pose desirable attributes for a funding system, but are not sufficient in and of themselves to define the purpose of a funding structure.

Pupil Equity

A review of the educational literature indicates that pupil equity has been defined in many different ways. The basic notion behind pupil equity concepts, however, is that all pupils should have equal access to certain educational opportunities.

The Virginia Constitution identifies the importance of educational opportunity in its "Bill of Rights":

> That free government rests, as does all progress, upon the broadest possible diffusion of knowledge, and that the Commonwealth should avail itself of those talents which nature has sown so liberally among its people by assuring the opportunity for their fullest development by an effective system of education throughout the Commonwealth.

The vehicle provided by the Constitution to address pupil equity is the Standards of Quality. The State can use the SOQ to ensure that the educational opportunities or resources that are considered necessary to obtain quality are available in all localities.

Through the SOQ, the Constitution sets up a foundation education approach to pupil equity. The SOQ indicate a State and local responsibility to

ensure that every pupil receives at least a minimum or foundation education. While exceeding the SOQ could also be a desirable goal, the State's first responsibility is to ensure that every pupil has the opportunity to receive at least the foundation program, before taking on the additional task of exceeding the standards.

Accordingly, JLARC staff developed the following definition of pupil equity for use in the study:

> Pupil equity is the provision of the resources necessary for a meaningful foundation education program for the pupils in all school divisions.

The "meaningful foundation" education program is defined by the SOQ, and the important research activity for achieving pupil equity is to calculate the costs attributed to the SOQ for each school division.

Tax Equity

Under the Constitution, the General Assembly is given the responsibility for apportioning SOQ costs "between the Commonwealth and the local units of government comprising such school divisions." The Constitution also specifies that "each unit of local government shall provide its portion of such cost by local taxes or from other available funds."

In order to provide for pupil equity, the resources to meet SOQ costs must be available to each school division. However, local tax resources or funds to provide for local shares of the cost are not evenly distributed throughout the Commonwealth. In recognition of this fact, the SOQ funding system in Virginia has had a significant "equalizing" component, or a component that distributes State funds based on relative local abilities to raise revenue, in order to help equalize local SOQ cost burdens. This component, basic aid, distributes more State money to localities with less ability to raise revenue, and less State money to localities with greater ability to raise revenue.

A premise behind the basic aid funding system is: given that the State requires (among many mandates) that a viable foundation school program be maintained in each school division, no locality should be forced to pay a disproportionately high share of its taxable local resources to meet the education mandate. JLARC staff have thus developed the following definition of tax equity for the study:

> Tax equity is the apportionment of State and local responsibility for the SOQ program in a manner to ensure that the proportion of local taxable resources required to provide a meaningful foundation program does not vary greatly across localities.

The decision as to how much variance in the consumption of local resources is appropriate in meeting the SOQ mandates is a policy choice. The definition of tax equity is intended to indicate, however, that an important approach to assessing tax equity in evaluating different SOQ distribution

options is to look at the variance in the percentages of local tax resources that are consumed.

IDENTIFICATION OF ISSUES

To identify study issues, Virginia education literature was reviewed and regional workshops were conducted. While a wide range of ideas has been offered by governmental commissions, workshop participants, education interest groups, academicians, and others, two broad concerns appear to be central:

(1) Can SOQ cost calculations and State SOQ aid be more sensitive to local conditions?

(2) Can Virginia do more through State funding to compensate for disparities in local abilities to pay for education?

Cost Calculations Sensitive to Local Conditions. Many SOQ workshop participants were concerned about the existing distribution system because they felt the unique concerns or needs of their school divisions were not adequately taken into account. Under the existing formula, cost calculations for the substantial basic aid component have been limited by the use of single per-pupil amounts. That is, for all needs covered by basic aid, the costs are calculated for each school division by multiplying a fixed dollar amount times the number of pupils in each school division. That practice limits State flexibility in targeting cost calculations for the unique needs of some school divisions.

Many unique needs that participants felt were inadequately taken into account were raised at the workshops. Participants were concerned about factors such as pupil sparsity causing higher per-pupil instructional staffing needs or transportation costs; high-cost regional wage markets causing higher costs of competing, leading to higher salaries and fringe benefits; and particular pupil mixes (such as differing proportions of special education pupils, vocational education pupils, or pupils from poverty households) leading to different needs and costs.

The following quotes are illustrative of the concern expressed about making the cost calculations more sensitive to local conditions:

> The special operation problems of a small, geographically isolated school division require treatment that is not identical with every other school division. [Superintendent, Western Virginia]
>
> How can it be assumed that education of equal quality can be "bought" with equal expenditures throughout the State? It simply is not reasonable to expect that such can be done.... [Superintendent, Tidewater Area]
>
> A uniform equalization grant does not take into consideration the variation that might exist in the

educational needs of Virginia's students. [Superintendent, Northern Virginia]

The Governor's Commission on Excellence in Education also indicated in its October 1986 report that there is a need to give greater recognition to local cost conditions in SOQ funding. The Commission had received a charge from the Governor that it develop a plan that could be used to help make Virginia's program of public education one of the best in the nation. The Commission's report discussed two specific SOQ funding issues:

> First, the number of instructional personnel mandated by the Standards of Quality can now be calculated for each division. Replacing the statewide average of 59.5 teachers per 1,000 students with the number actually required for each division to meet the standards may improve the equity of the distribution of funds.
>
> Second, the current system uses one per-pupil amount for all students. In fact, some students cost more to educate than others. The cost implications of having different mixes of students should be examined and a method of developing different costs explored.

Compensating for Local Disparities in Ability to Pay. Another concern about the current funding system that has been raised is whether the State could do more to compensate for disparities in local abilities to pay for education. For example, a December 1984 report of the Governor's Commission on Virginia's Future stated:

> Equality is an illusion when the ability of Virginia's wealthiest school divisions to support education out of their own resources is ten times greater than that of its poorest school system. State funding formulas should be revised to narrow discrepancies among school divisions. Even with State and federal assistance, in 1982-83, total expenditures per pupil across school divisions ranged from a high of $4,741 to a low of $1,658.

A 1985 article in the *Journal of Education Finance* stated that "since the implementation of the current funding formula for Virginia in 1974-75, the Commonwealth has actually moved further away from the goals of the fiscal equity criteria...."

Also, in July of 1985, a leading member of the 1972-73 Task Force on Financing the SOQ that helped define the current funding system wrote:

> Frankly, I was surprised when figures were updated recently showing comparisons between the last year before the new formula and today... I <u>am</u> speaking of the <u>division</u> of money, because the fact remains that the disparity in opportunity between the wealthy and the poor has closed practically not at all. [emphasis in original]

STUDY APPROACH

Pupil equity as defined for this study requires an assessment of SOQ costs for school divisions. Tax equity as defined requires a comparison of local portions of SOQ costs with local abilities to raise revenue. Consistent with the defined goals, a study approach was developed that would measure SOQ school division costs, assess local abilities to raise revenue to pay for those costs, and provide a framework for evaluating different State distribution options in the context of school division costs and local resources.

The starting point for assessing SOQ costs was the methodology developed by JLARC staff in SOQ Part I and adopted as the budget methodology. Costs were developed for the SOQ Part I report, however, under the constraints of the existing distribution system, which lacked a mechanism for targeting unique costs to localities with unique circumstances. Consequently, the SOQ Part I report stated:

> ...the study did not deal with issues of equity or distribution. Unique circumstances such as higher cost of living were minimized in the calculation because the 'foundation' costs represent a base. These issues will be systematically reviewed in the second phase of the study. The current requirement that a major portion of the funding for school divisions be based on a single "per-pupil" amount was not modified.

With the concerns of workshop participants as well as the Governor's Commission on Excellence in mind, the potential for achieving greater pupil equity by relaxing certain distribution assumptions was explored where data permitted. One key element considered by JLARC staff was whether the use of a single per-pupil amount in funding should be reduced in order to give greater recognition to the unique costs of localities.

The costs necessary for the divisions to provide meaningful foundation programs under the Standards of Quality were calculated to satisfy the pupil equity goal. The relative abilities of localities to pay for SOQ programs were examined by reviewing the currently used composite index, as well as several measures based on the concept of revenue capacity (revenue capacity indicates the revenue that localities could raise if they imposed statewide average tax rates on their tax bases). These relative measures could be used as the basis for determining State and local shares for the portion of costs where the shares are based on relative local ability to raise revenue.

The JLARC staff also developed a concept of local educational "effort," which was defined as the proportion of revenue capacity in dollars that localities are required to devote to their share of the calculated SOQ costs. Thus, educational effort for each locality represents the local share of the SOQ cost estimate for the school division, divided by local revenue capacity.

Finally, a uniform reporting format was developed that would facilitate the evaluation of many different distribution options designed to

meet SOQ costs. A key component of that format was a calculation of the amount of local "effort" that would be required for each locality to meet its share of SOQ cost under different distribution options.

REPORT ORGANIZATION

The first chapter of this report has provided background information on SOQ funding issues, and has discussed the goals and approach of this JLARC study. Chapter II describes the current methodology for calculating statewide SOQ costs, and indicates the results for the 1988-90 biennium of JLARC's replication of that cost methodology using the most recently available data. Chapter III discusses how SOQ costs can be calculated for the individual school divisions, including the use of some division-level cost refinements that have a potential impact on the statewide calculated cost.

Chapter IV describes the approaches used to measure the ability of localities to raise local revenue that could be used to determine local shares of SOQ costs.

Finally, Chapter V contains a discussion of other distribution issues besides the choice of a measure of local ability to pay, and describes the JLARC framework for analyzing different distribution options. The chapter also discusses some conclusions about approaches the State can take to promote greater pupil and tax equity.

II. CALCULATING STATEWIDE SOQ COSTS: THE CURRENT APPROACH

The baseline cost calculation for this study involved replicating the current cost methodology, as developed in the first phase of the JLARC review of SOQ funding. The methodology was replicated using updated data. In Part I of the JLARC study, an instructional staffing analysis was conducted based on 1984-85 enrollment data and DOE projections of 1986-87 and 1987-88 enrollment, and salary and support cost analyses were based on 1983-84 data. For SOQ Part II, data items were available on 1986-87 enrollment, DOE projections of 1988-89 and 1989-90 enrollment, and 1985-86 salary and support costs.

Conclusions about SOQ costs for the 1988-90 biennium are very sensitive to the instructional personnel salary increases that are assumed. Any substantial rate of increase has substantial cost impact, because it is applied to a large cost base. House Bill 1312, passed during the 1987 legislative session, requires that the Department of Personnel and Training conduct a review to determine "competitive" teacher salary levels. The results from that study may aid the State in determining its teacher salary funding goals. However, that study is not yet completed. The salary increase projected as necessary to maintain Virginia's position with respect to other states in national salary rankings (5.8 percent) is applied in FY 1989 and FY 1990 in this report.

Conclusions about the State portion of SOQ costs for the 1988-90 biennium are also dependent on the instructional salary increases used. In addition, the costs are extremely sensitive to changes in the relative proportion of the costs assigned to different funding accounts, or to changes in the definition of the aggregate State versus local share.

This chapter discusses the general framework that is used to determine SOQ costs under the current approach. The individual components that are part of total costs (instructional staffing levels and associated salary costs, fringe benefits, and support costs) are each addressed. The methodology used as well as the updated cost results for the 1988-90 biennium are discussed for each component. In a concluding section of the chapter, the components are aggregated to calculate total SOQ costs for the 1988-90 biennium.

ANALYTICAL FRAMEWORK OF THE CURRENT COST APPROACH

The basic method for calculating SOQ costs involves two major parts. Where quantified standards exist (instructional staffing requirements), the standards are mathematically applied to calculate the instructional positions necessary. Where quantified standards are not available (such as salary levels and support costs), costs are estimated by calculating the costs which generally prevail in the school divisions.

The "prevailing" cost for a given educational cost category is defined as the expenditure level around which most of the school divisions in the State tend to cluster (see the JLARC Part I report for a full discussion of why the prevailing cost concept was utilized). To implement the concept of prevailing costs, JLARC staff analyzed a variety of statistics to determine which would most consistently capture the prevailing, or most representative, unit cost for the different cost distributions. As with Part I of the study, the analysis of costs is based on costs for the school divisions. JLARC staff used the school divisions to calculate SOQ costs because of the purpose and the existing framework for the standards. The Constitution, statutes, and Board of Education mandates are all clear on the point that while the Standards of Quality apply statewide, they are to be implemented by each of the divisions operating schools in Virginia.

Selecting a Statistic to Represent Prevailing Costs

When analyzing data, there is often a need to represent the central, or most representative, value of a distribution. If the data are distributed normally or symmetrically with respect to the mean, then the selection of a statistic is relatively simple: an arithmetic mean is appropriate. In fact, the arithmetic mean is expected to be equal to other statistics representing central tendency, such as the median, in a normal distribution.

However, some data are skewed, with extreme values located on the high or low ends. For these data, other statistics using resistant techniques that accommodate the extreme values (the outliers) are useful to estimate the most representative values of the distributions.

The Department of Education presented a funding proposal in 1981 that was based on a recognition that the cost data in the Commonwealth were skewed. While the methodology for estimating SOQ costs at the time involved the use of statewide averages, the department recognized the limitations of the use of an average in its proposal, remarking that "the statewide 'average' does not represent well the variations within the state." The department noted that for 1979-1980 data, "approximately 45 school divisions were represented reasonably well by the statewide average, but nearly two-thirds of them were not."

In working with FY 1984 educational cost data, JLARC staff found in SOQ Part I that the attributes of the data had not changed since the time of the DOE review. The underlying expenditure data were still skewed.

JLARC staff questioned the use of the statewide average to represent SOQ costs, and examined the use of several different methods for representing central tendency. A problem in this examination was that while studies and other theoretical articles had developed useful methods for representing central tendency, a framework and method had not been presented for the practitioner to apply in making a selection. Unfortunately this gap often resulted in the continued use of the mean or median where other statistics might have had more desirable properties.

One way to conceptualize the choice of a statistic representing central tendency is as a trade-off between sensitivity to the data, and the

stability of the statistic. When the statistic is sensitive to the data, it is influenced by extreme values and shifts as values become more extreme or as extreme values are added. Stability of the statistic means that the statistic is not responsive to the extreme values. A "good" statistic is one which is influenced by all the data, but is not so influenced by the extremes that it no longer represents most of the data.

The mean and the median can be used to illustrate the sensitivity and stability trade-off. The mean is sensitive to extreme values, because the mean sums all the values and divides by the number of observations, such that the extreme values, by the very magnitude of their difference from most values, have a greater impact on the calculation. For example, an individual with an income of $10 million in a room with nine other individuals with incomes of $10,000 would result in a mean calculation of approximately $1 million in income for those in the room. The mean income for the room is very sensitive to the presence of that one individual; it is also very unstable because it depends on the presence of that individual.

On the other hand, a median is very insensitive to extreme values, because the median is always the value associated with the middle observation. Thus, in the example above, the median of $10,000 would be a very insensitive and stable estimate, because the income of the individual at the middle of the income distribution of those in the room would not be strongly affected by the presence or absence of the one wealthy individual.

JLARC staff considered 15 different statistics of central tendency. (A listing and an explanation of each of the statistics is available on request in a technical paper supplementing the JLARC SOQ Part I report). The purpose was to select a statistic that would consistently reflect the prevailing costs of the school divisions. The methodology to implement this concept involved the trade-off between sensitivity and stability. The mean and the median were among the statistics considered, and generally defined the extremes of this trade-off. Six instructional salary distributions and eight support cost distributions were used as a test database.

Sensitivity was examined by calculating the root mean square error and absolute error between each statistic and each of the actual values of the respective data. Low errors on both measures indicated that the statistic achieved a certain balance between the properties of sensitivity and stability. In the JLARC analysis, the statistic that most consistently had a low error across all the distributions was a linear weighted average with a weight of five on the center value.

For this statistic, the school division data are ordered from high to low. The lowest and highest values receive a weight of one. The weights are then incrementally increased from both extremes, until the center value (the median) receives a weight of five. The weights are multiplied by the values, and an average is calculated by dividing this product by the total of the weights.

The linear weighted average has some sensitivity, because it includes all values in the calculation. The sensitivity of the linear weighted average can

be contrasted to that of the median, where the only value in the calculation which is important is the centermost value. Similar to the median, however, the linear weighted average is stable because the extreme values are weighted less than the central values.

Based on this analysis, the linear weighted average was applied to the cost distributions for which quantified standards were lacking. Specifically, the statistic was used to calculate prevailing salary levels and prevailing support costs. With this approach, the costs of all school divisions were included, but the costs incurred by school divisions clustered in the middle were weighted more heavily.

By using quantified standards where available, and prevailing costs where quantified standards are not available, a number of different types of educational cost components can be assessed. The components can then be used to produce a total SOQ cost figure. Discussion of the component analysis can be segmented into: (1) SOQ instructional staff positions, (2) instructional salary costs, (3) fringe benefit costs, and (4) support costs. The SOQ Part I methodology was replicated using updated data for these components.

ANALYSIS OF INSTRUCTIONAL POSITION LEVELS

The Standards of Quality contain specific quantified standards pertaining to the instructional staffing levels that must be offered by school divisions. In different instances, standards specify maximum pupil-to-instructor ratios for individual classes, across a school, or across a division. Standards also vary according to the type of pupil. For example, the staffing ratios for special or vocational education are often different than the ratios for regular classrooms.

In addition to these standards, the SOQ state:

> Each division shall employ; with state and local basic, special education, and vocational education funds; a minimum number of certified instructional personnel (full-time equivalent) for each 1,000 students in average daily membership as set forth in the Appropriations Act; certain of such full-time equivalent instructional positions shall be funded from basic school aid pursuant to the Appropriations Act.

During the 1985 legislative session, the General Assembly increased the Appropriations Act requirements to which the SOQ refer from 54 positions per 1,000 pupils (48 positions per 1,000 for basic education, and six add-on positions for special and vocational education) to 57 positions per 1,000 pupils (51 for basic, and six for special and vocational add-ons). These requirements provided the basis for State SOQ calculations. Some education advocates maintained that these requirements used in funding were still too low to completely cover the requirements of the Standards of Quality for basic, special, and vocational education.

During SOQ Part I, JLARC staff compared the newly adopted Appropriations Act requirements with the number of basic, special, and vocational education positions that are required under the cumulative impact of all other quantified staffing standards. This analysis involved the application of many different quantified instructional standards to pupil membership data by grade for each of 1,695 schools in Virginia.

A result of this analysis was a finding that for most school divisions, 57 positions per 1,000 pupils was sufficient to provide for the basic, special, and vocational education personnel standards exclusive of the Appropriations Act. The prevailing ratio of required positions per 1,000 pupils was found to be 55.4. Thus, the General Assembly's action to increase the Appropriations Act funding level from 54 was necessary to cover SOQ requirements for most divisions, although 57 positions was somewhat more than what the SOQ required of most divisions for basic, special, and vocational education.

While it was recognized as a result of this analysis that the personnel standards have different implications for different school divisions, the results were considered under the constraints of the existing distribution system. Because school divisions must meet what in many cases is the higher staffing requirement of the Appropriations Act, 57 positions per 1,000 pupils was used as the basis for all cost calculations even though some divisions might require less to meet all other SOQ.

As a result, costs were calculated across the State for basic, special, and vocational education using 57 positions per 1,000. An updated analysis of instructional positions based on 1986-87 fall membership data and the current SOQ indicates that 57 positions per 1,000 is still adequate to meet basic, special, and vocational instructional requirements in many divisions, but it is not sufficient to meet the SOQ in others.

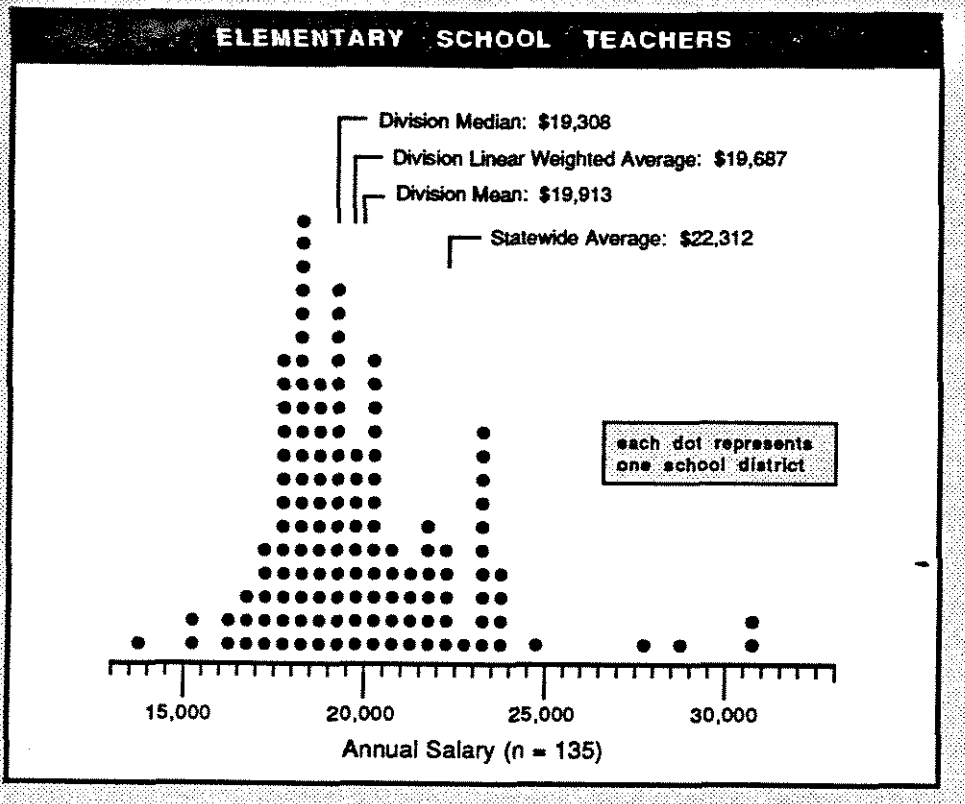
INSTRUCTIONAL SALARY COSTS

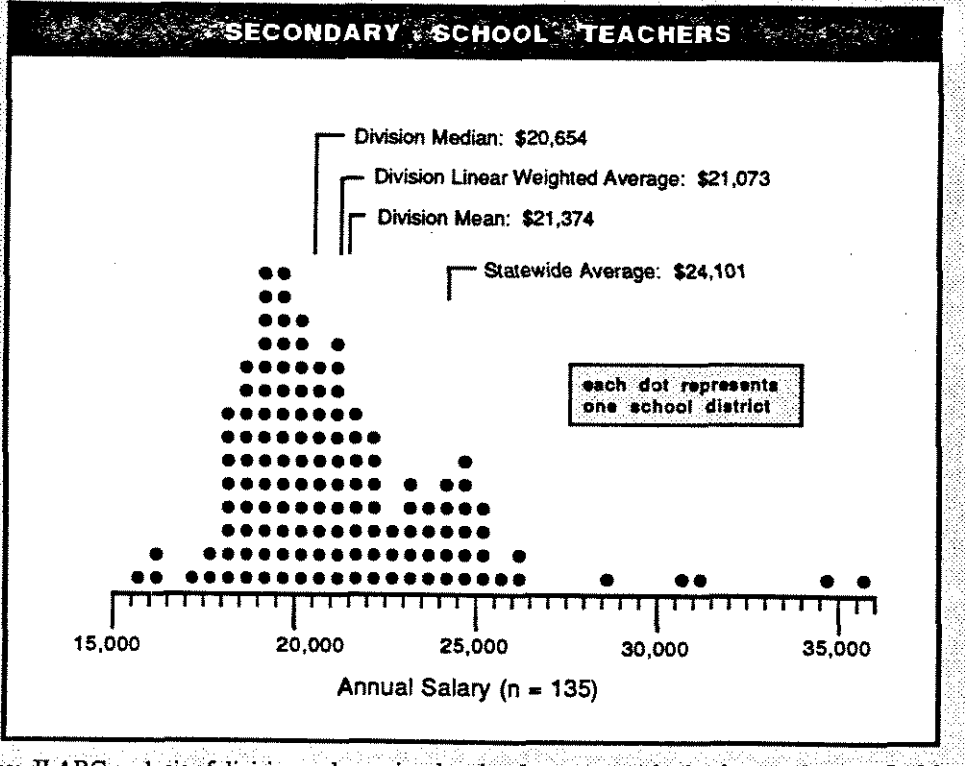
Salary and fringe benefit costs are associated with the required SOQ instructional personnel. The costs for salaries can be calculated by multiplying the number of required positions by the salary levels for those positions. The salary levels used in the current methodology are prevailing salaries, as calculated using the linear weighted average. Prior to Part I of the JLARC SOQ study, the statewide average salary was used to estimate instructional salary costs, but was never recognized in funded levels. During the Part I review, JLARC staff found that the statewide average salary was unrepresentative of the salary levels offered by most divisions. Division-level measures, such as the linear weighted average, the median, and the division-level mean are more representative of the average salaries offered by most divisions. The linear weighted average used in the current methodology is the preferred statistic.

Figure 1 shows the three division-level measures as well as the statewide average in relation to data for FY 1986 elementary and secondary teacher salary distributions. The linear weighted averages for elementary and

Figure 1

Distribution of Average Salaries





Source: JLARC analysis of division and vocational regional center annual school report data, 1985 - 86.

secondary teacher salaries exceed the average salaries offered by 58 and 55 percent of the divisions, respectively.

Developing Salaries for Program Funding. The current State funding framework does not allocate funds by instructional positions, but by programs. Given this funding framework, it is necessary to calculate a salary cost for the programs involving SOQ instructional personnel, such as basic aid, special education, vocational education, remedial education, and gifted and talented education. To this end, the salary cost is computed for a program based on the mix of required positions for that program and the corresponding salary for each type of instructional position. Teacher salaries for a FY 1988 base were derived by increasing FY 1986 prevailing salary levels (the last year of actual data available) by 10 percent for FY 1987, and increasing the 1987 salary by 10 percent for FY 1988, to match the State salary incentive program. Salaries for non-teaching instructional positions were increased by factors between 7.3 and 8.3 percent, depending on the percent increase localities provided statewide for those positions from FY 1984 to FY 1986. The seven instructional personnel types and their corresponding salaries for FY 1988 are shown in Table 1.

Table 1

FY 1988 INSTRUCTIONAL SALARIES

Instructional Position	Salary
Secondary Principal	$41,224
Secondary Assistant Principal	34,668
Secondary Teacher	25,498
Elementary Principal	38,033
Elementary Assistant Principal	32,042
Elementary Teacher	23,821
Aide	8,230

Source: JLARC staff analysis of instructional salaries.

The basic aid instructional personnel cost includes the cost of elementary principals, elementary assistant principals, secondary and combined school principals, secondary and combined school assistant principals, and elementary and secondary teachers. For special education, instructional personnel costs include elementary and secondary special education teachers, as well as principals of accredited special education schools. Vocational education instruction is required only in secondary schools. Therefore, the prevailing FY 1988 secondary teacher salary was used to calculate instructional personnel costs.

And finally, remedial and gifted and talented instruction are required at both the elementary and secondary levels. Therefore the instructional costs for each are based on the proportion of teachers that are calculated for the program at the elementary and secondary levels.

Projecting Salary Costs for the 1988-90 Biennium. Under the current methodology, future SOQ instructional salary costs depend on the changes in average daily membership (ADM) and on the salary increase assumptions that are applied. DOE projections indicate a moderate, upward trend in the State's ADM through 1990. It is salary increase assumptions, however, that will have the major impact on costs.

In the absence of specific guidance on legislative expectations for instructional salary increases during the 1988-90 biennium, the salary increase projected as necessary to maintain Virginia's position with respect to other states in national salary rankings was applied. This approach means that SOQ costs for the 1988-90 biennium in this report are based on instructional salary increases of 5.8 percent, and would change if a new goal is applied. Under this assumption, and given moderate increases in ADM, SOQ instructional salary costs are estimated to be $1.541 billion in FY 1989 and $1.642 billion in FY 1990. These salary costs are based on the current approach for calculating SOQ costs.

FRINGE BENEFIT COSTS

In addition to salary costs, significant fringe benefit costs are associated with both instructional and non-instructional (support) personnel. The State requires local school boards to provide retirement, life insurance, and federal social security for their professional employees. The school divisions are required to pay social security taxes for all salaried employees who are employed on a full-time basis. While it is not required, most school divisions also offer some form of health insurance for employees.

Costs for required benefit programs are included under the current methodology, and are calculated based on required instructors, prevailing numbers of support personnel, and prevailing salary levels. The analysis also includes health benefits as SOQ costs because they are a prevailing fringe benefit in the Commonwealth.

VSRS, Group Life, and Social Security for Instructional Personnel. To compute the fringe benefit cost for instructional personnel, an estimated salary base was calculated by multiplying eligible positions by the prevailing salary levels for those positions. The benefit rate covering 100 percent of the employer share of each benefit was applied to the salary base. The benefit rates used in the cost calculations were provided by VSRS, and are shown in Table 2.

The social security, VSRS, and group life costs for SOQ instructional personnel are estimated to be $282 million in FY 1989 and $304 million in FY 1990. As Table 2 indicates, cost increases from previous years are not due to

Table 2

FRINGE BENEFIT RATES FOR 1986-1990
USED IN SOQ COST CALCULATION FOR INSTRUCTIONAL PERSONNEL

	1986	1987	1988	1989	1990
Social Security	.0715	.0715	.0751	.0751	.0765
VSRS	.1115	.1120	.1120	.1059	.1059
Group Life	.00288	.00288	.00288	.00288	.00288
Combined	.18588	.18638	.18998	.18388	.18528

Source: VSRS.

projections of increased benefit rates. Rather, they are primarily due to projected increases in instructional salary levels to which these rates are applied.

VSRS, Group Life, and Social Security for Non-Instructional Personnel. The methodology developed for estimating non-instructional benefit costs parallels that of instructional personnel. Fringe benefits were calculated for positions and salary levels resulting from the JLARC linear weighted average as applied to support distributions. Benefit rates were then applied to this salary base. While benefits for some support positions are an option of the school board, in practice school divisions afford all full-time employees the same benefits. The JLARC staff estimate of SOQ costs includes coverage for all support personnel employed on a full-time basis.

The rates for support personnel are those established by actuaries of VSRS. "Professional" support personnel such as transportation supervisors and physicians have the same benefit rate as instructional personnel. "Non-professional" support personnel such as operation and maintenance employees, garage mechanics, and bus drivers, have a lower rate that varies by school division. The benefit rate used is the prevailing division rate (6.566 percent based on 1986-87 data). Social security coverage has been extended to bus drivers and bus aides who are part-time personnel.

The social security, VSRS, and group life costs for SOQ non-instructional personnel are estimated to be $63.2 million in FY 1989 and $68.2 million in FY 1990. Again, the cost increases are primarily due to the increased salaries projected for support personnel to which the benefit rates are applied. These fringe benefit costs do not increase as rapidly as for instructional personnel, because the salary increases projected for support personnel are not as high.

Other Fringe Benefits. Analysis of the different "other" fringe benefits offered by school divisions in SOQ Part I indicated that health

prevailing insurance was the only additional benefit that could be categorized as. In FY 1984, 125 school divisions (93 percent) paid at least a partial premium for their instructional personnel. In FY 1986, this number increased to 126 school divisions.

In the absence of a prevailing health care cost or a uniform plan of coverage in the school divisions, a minimum cost for a basic health plan is included in the SOQ costs for required SOQ personnel. To define a reasonable contribution to a health plan, information was requested in SOQ Part I from the largest provider of health coverage for school board personnel in Virginia. Blue Cross/Blue Shield of Virginia provided data on the costs of coverage for the employees of local school boards enrolled in the "educator program." The benefit rate was based on gross expenditures divided by the number enrolled in the educator program. The break-even rate for 1985-86 was $88 a month. This rate was multiplied by 12 to produce an annual premium of $1,056.

More recently, the Virginia School Boards Association worked with Blue Cross/Blue Shield to develop a basic health package called the Premier Plan. Blue Cross/Blue Shield has defined three medical cost areas in the State, and the insurance rates school divisions pay depend on the medical cost experience of the locality in which they are located. In FY 1988, the rates for the different medical cost areas were $98, $89, and $78 per employee per month. Beyond FY 1988, the cost was projected using the December 1987 Wharton Econometrics medical cost index (5.5 percent for FY 1989 and 5.4 percent for FY 1990). Resulting costs for FY 1989 and FY 1990 were $88.5 million and $92.8 million.

SUPPORT COSTS

School divisions incur substantial operating costs in addition to instructional personnel costs. For example, the divisions offer the following support services: administration; instructional support, such as supplies; attendance and health; operation and maintenance of school plants; pupil transportation; and provision for certain fixed charges such as insurance and the rental of equipment. JLARC staff estimate that prevailing support costs (exclusive of fringe benefits for support personnel discussed in the preceding section) total $1.918 billion for the biennium, or about 31.5 percent of the $6.057 billion estimate of total SOQ costs.

This section discusses the replication of the methodology for estimating the costs of support for basic operations (regular day school) and for special education pupils who are not served in regular day school. Application of the prevailing cost concept to support data distributions are discussed. The approach used to project costs from FY 1986 actual data to the costs for the 1988-90 biennium is also reviewed.

Prevailing Costs for Basic Operating Support

The need for most support expenditures cannot be directly linked to the Standards of Quality. The requirement for these expenditures may be

inferred from the fact that the educational programs are to be offered; however, standards that define the minimum necessary for a high quality program in the support area have not been developed. Therefore, a prevailing cost approach, used to determine the most representative school division unit costs for support activities, was considered the best approach for assessing these costs.

DOE collects data on support positions and expenditures for its Annual School Report. All school divisions provide data for this report. The most recent year for which data are available is FY 1986. In FY 1986, DOE collected separate Annual School Report data from the joint regional vocational education centers.

JLARC staff reviewed the Annual School Report data for out-of-range values, or data items that were inconsistent with data from prior years. As a result of this review, 106 school divisions were contacted to validate particular items in question, and some of these items required correction. The net impact of this validation exercise, in terms of the total expenditures reported statewide across all expenditure items, was small. However, a review of the data base is important to help accurately assess the variation in costs between school divisions for each of the specific support items.

After this review was completed, the costs reported by the joint regional vocational education centers were prorated to division expenditure categories, based on the designated division shares of center costs.

Basic operating support costs are divided into six major categories:

- administration
- instructional support
- attendance and health
- operation and maintenance
- pupil transportation
- fixed charges

Expenditure data are reported by school divisions at a greater level of detail, however. Thus, each of the major categories can be disaggregated into several separate frequency distributions. In the JLARC analysis, 51 different support cost distributions were identified. These distributions were either: (1) expenditures per pupil (or other control variable), (2) support positions per pupil (or other control variable), or (3) average salary levels of support personnel.

Adjustment to School Board and Superintendent Costs. Under the current cost approach, compensation costs for school board members and school superintendents are part of total statewide support costs. These statewide costs are then divided by ADM to determine per-pupil costs. Each school division receives credit for costs equal to the per-pupil cost times its number of pupils.

An adjustment has been made to the cost calculations to reflect the fact that school board and superintendent costs are largely fixed divisional costs, in that the costs do not vary substantially with the number of pupils served. Each school division received credit for the prevailing compensation associated with one superintendent and a prevailing average of 5.8 school board members.

Adjustment to School Nurse Costs. One of the specific costs under the broad category of attendance and health are school nurse costs. Localities provide for nursing needs in the schools in different ways. Some school divisions do not have nurses on their payroll, but receive nursing services from local health departments. Some divisions have nurses on their payroll, and receive no nursing services from local health departments. Other divisions have a mixture of nurse services provided by their own staff and local health departments. A cost estimation approach was needed that would enable the education and health funding formulas to take school nursing needs into account, but without duplication.

Data were available for each locality from the Annual Report on Health Department Services showing the hours of nurse service rendered to the schools by locality during FY 1986. On the other hand, data from the Department of Education Annual School Report on school division nurses are expressed in FTEs, using school division definitions of what the positions require. Therefore, JLARC staff contacted the school divisions with nurses on their payrolls and requested data on the number of days and hours per day worked by school nurses in FY 1986, so that the FTE data could be converted into hours.

Once all the data were expressed in hours, a linear weighted average of the combined hours of nurse service per pupil (from both sources) was calculated. This was done to calculate the prevailing need for nurse services. The prevailing number of hours per pupil was multiplied by the number of pupils to calculate the hours required for each division. In cases in which school divisions provided fewer hours per pupil than the prevailing level from employees on the school division payroll, but received local health department services, the number of local health department nurse hours provided were subtracted for each locality from the total hours required. The resulting number of hours was compared with the number of hours actually provided by school division nurses, and the greater of the two numbers was recognized. If the school division received more hours of nursing service than the prevailing level from the local health department alone, and had no nurse services from school employees, then $0 of cost was assigned rather than a negative number.

Support Cost Results. For each of the 51 distributions, a linear weighted average was calculated to represent the prevailing cost, or the most representative unit cost. For comparison purposes, median, mean, and statewide average support costs were also calculated.

Table 3 shows estimates of FY 1986 support costs using several different methods: (1) the median cost, (2) the linear weighted average cost, (3) the mean cost at the division level, and (4) the statewide average cost. The costs are grouped into the six major support categories, and the items that compose the categories are the basic operating support items as defined by JLARC staff.

The table shows that the costs based on the linear weighted average generally exceed those based on the median, but are less than those based on the statewide average. Across the six categories, prevailing costs are 105.3 percent of the median costs, but only 86.9 percent of the statewide average costs.

Table 3

COMPARISON OF TOTAL SUPPORT COSTS USING DIFFERENT STATISTICS
(FY 1986 Costs in Millions)

Category	Using Median	Using Linear Weighted Average	Using Division-level Mean	Using Statewide Average
Administration	$ 90.01	$ 97.92	$104.38	$117.88
Instructional Support	183.77	186.44	192.93	212.59
Attendance and Health*	21.80	26.15	30.36	36.71
Transportation	129.33	138.27	149.19	149.04
Operation and Maintenance	305.15	317.71	328.80	365.13
Fixed Charges	24.05	27.22	29.35	32.48
TOTALS	$754.11	$793.71	$835.01	$913.83

*School nurse adjustment not made to data in this table to isolate the impact of the different statistics.

Source: JLARC analysis of Annual School Report data.

Differences between the linear weighted average and statewide average costs reflect the variations between school divisions in the number of support personnel, the support salaries, and the levels of expenditure in non-personnel support categories. For example, the school divisions actually employed about 31,321 support personnel in FY 1986. The estimate based on the linear weighted average recognizes about 29,799 of these positions, or 95.1 percent; this means that one position in 20.6 is not considered part of a prevailing personnel level, and is not attributed as part of SOQ costs.

An important point to note is that support costs increased at a rapid pace between FY 1984 and FY 1986. Table 3 is an update of a table presented in the JLARC SOQ Part I report. A comparison between the reports of the statewide average cost columns indicates that locality costs increased in those two years by 20.2 percent overall. The increases were 22.8 percent in administration; 26.3 percent in instructional support; 25.5 percent in attendance and health; 20.7 percent in transportation; 13.7 percent in operation and maintenance; and 45.3 percent in fixed charges. Much of the overall rate of increase was captured by the linear weighted average, which increased by 19.6 percent over the two years.

Special Education Support Costs

Instruction for handicapped pupils who are not served in regular day school is required by the Standards of Quality. Special education and related

services for handicapped children ages two to 21 are required by the regulations implementing the fourth standard, the education of the handicapped. The same regulations also require school divisions to make necessary arrangements with a State facility if the division is unable to provide appropriate educational services. School divisions are also required to enter into contractual arrangements with private or regional schools for special education programs when no suitable placements are available in the local school or State facility.

SOQ costs for preschool support, private and regional placements, and hospitals, clinics, and detention homes were calculated using either actual FY 1986 expenditures, or State approved costs where applicable, as a base. The total cost of these services in FY 1986 was $22,758,938.

Projecting Support Costs to 1988-90

Two primary sets of inflation rates from Wharton Econometrics were used to project most of the support cost items from 1986 to 1990. The first was "State and Local Government Compensation." The rates used were:

FY 1987: 5.5%	FY 1989: 5.8%
FY 1988: 5.8%	FY 1990: 5.8%

The second set of rates was "State and Local Government Purchase of Goods and Services." These rates were:

FY 1987: 4.1%	FY 1989: 6.3%
FY 1988: 6.0%	FY 1990: 6.3%

These support inflation rates were applied individually to applicable support items.

SOQ COSTS USING CURRENT APPROACH

The costs used in this chapter have been based on the following key baseline assumptions:

- instructional staffing levels specified in the 1986 Appropriations Act,
- projected ADM provided by the Department of Education,
- FY 1986 linear weighted instructional salaries as cost base,
- ten percent teacher salary increases in FY 1987 and FY 1988 to meet the State's salary incentive program,
- instructional salary increases necessary to maintain Virginia's position among the states in national salary rankings (5.8 percent) in FY 1989 and FY 1990,

- support inflation based on Wharton Econometric rates applied to support cost distributions,

- no new standards implemented.

Table 4 shows the cost of fully funding the existing Standards of Quality during the 1988-90 biennium, given these assumptions. The cost for the biennium is $6,057,229,077.

The cost calculation is very sensitive to instructional salary assumptions. FY 1988 prevailing salary levels were used as the base throughout the calculations that produced the data in Table 4. This approach recognizes the prevailing salary levels offered by the school divisions in meeting the SOQ, and can be directly derived from the updated JLARC analysis.

Table 4

COSTS OF THE CURRENT STANDARDS OF QUALITY

Instructional Personnel	FY 1989	FY 1990	Biennium Total
Basic Instruction	$1,317,281,250.78	$1,407,345,179.88	$2,724,626,430.67
Basic Aides	2,926,322.62	3,127,257.05	6,053,579.67
Special Education	86,080,113.50	91,984,156.59	178,064,270.09
Special Ed. Aides	7,684,723.44	8,211,680.59	15,896,404.03
Vocational Education	68,788,859.58	73,505,851.91	142,294,711.49
Gifted/Talented	25,541,641.81	27,293,243.77	52,834,885.58
Remedial Education	29,265,642.51	30,834,076.01	60,099,718.52
Instructional Fringe Benefits	348,858,840.33	373,645,562.53	722,504,402.86
Total	1,886,427,394.56	2,015,947,008.34	3,902,374,402.90
SOQ Support			
Basic Operating Support	929,659,739.76	988,237,016.17	1,917,896,755.93
Support Fringe Benefits	85,556,451.68	91,577,986.07	177,134,437.75
Special Ed. Support	28,780,543.87	31,042,936.99	59,823,480.87
Total	1,043,996,735.31	1,110,857,939.23	2,154,854,674.54
Total SOQ Costs	$2,930,424,129.87	$3,126,804,947.57	$6,057,229,077.44

Source: JLARC analysis of Department of Education and local school division data.

III. REFINING SOQ COST CALCULATIONS TO IMPROVE PUPIL EQUITY

Pupil equity, as defined for this study, means the provision of the resources necessary for a meaningful foundation education program for the pupils in all school divisions.

Elements of the current State approach to education funding can serve to promote pupil equity. For example, the SOQ approach itself has enormous potential, when properly applied. It requires that the Board of Education determine what education programs and resources are fundamental to achieving quality education, such that they should be available in all localities. The General Assembly may revise the standards and is responsible for apportioning the costs between the State and the localities.

Also, the use of a single per-pupil amount that drives much of SOQ funding helps promote equity in many instances. For example, this approach is a vast improvement over a system reimbursing localities simply based on certain percentages of their actual costs. A reimbursement approach would send money to localities based on what they decide to spend, and not based on a determination of the expenditure levels necessary for foundation programs. Some localities may spend more because of inefficiency, or their aspiration to provide more than a foundation program, perhaps because they can "afford" to spend more. Other localities may spend less not because they have less objective need, but because of significant constraints on their ability to raise revenue.

A single per-pupil approach, on the other hand, can use the most representative or prevailing cost across school divisions to consistently recognize costs in all school divisions at that prevailing level. The approach does a fairly good job of promoting pupil equity, so long as the legitimate variation in costs across localities is attributable to the number of pupils served.

Under the single per-pupil approach, however, pupil equity problems arise when the costs localities incur to provide for the SOQ do not vary based on the number of pupils served. Pupil equity problems also surface when the costs localities incur to provide for the SOQ vary, but vary in certain legitimate respects that are not measured very well solely by the number of pupils served.

A very simple and obvious example of the first pupil equity problem is school superintendent costs, which are currently included in the single per-pupil calculation. Virtually all school divisions have one superintendent. When a single per-pupil cost approach is used to allocate funds to cover these costs, localities with large numbers of pupils receive funding that is far beyond the salary cost of the superintendent. This occurs because the prevailing unit cost is multiplied times the number of pupils. Similarly, localities with small numbers of pupils receive funding that is generally much less than the salary cost of the superintendent.

Examples of the second pupil equity problem (where costs vary, but in ways that may not be measured well by the number of pupils served) were raised at the 1986 JLARC SOQ funding workshops. Examples offered included pupil sparsity causing higher than normal per-pupil instructional staffing needs or transportation costs; high-cost regional wage markets causing higher costs of competing, leading to higher salaries and fringe benefits; and particular types of pupil mixes leading to special needs and costs.

In addition, this type of problem was referred to by the Governor's Commission on Excellence in Education when it said that while the current system uses a single per-pupil amount:

> ...some students cost more than others. The cost implications of having different mixes of students should be examined and a method of developing different costs explored.

It was this same concern that led JLARC staff to caveat its SOQ Part I report by noting that the cost estimates were developed "within the constraints of the current framework for defining and funding the standards." The report specifically noted the constraint that a "major portion of the funding for school divisions be based on a single 'per-pupil' amount."

The calculations in Chapter II of this report are based on the current cost framework, and continue the heavy reliance on a single per-pupil amount to develop costs.

This chapter involves an examination of different areas where it may be desirable to depart from a single per-pupil amount cost approach. Three points should be emphasized about this analysis. First, while the examination could lead to reducing the influence of a single per-pupil amount in the calculation, the single per-pupil cost approach will still continue to be used for many components of the calculation. This is because the single per-pupil approach is frequently appropriate, and because the burden of proof should be on showing why the single per-pupil cost should not be used.

Second, while the single per-pupil approach is most used in basic aid, reducing its use in the cost calculations is not designed in any way to reduce the amount of funding in the formula that is distributed based on local ability to pay. Costs do not have to be developed using a single per-pupil amount in order to be distributed based on local ability to pay, nor do costs have to be recognized through basic aid rather than as a categorical (earmarked for a particular purpose) in order to be distributed based on ability to pay. The question at issue is how costs are to be calculated, and not the rules regarding how the money should be distributed. Finally, the purpose of the analysis in this chapter is to identify SOQ costs by division. In departing from the single per-pupil approach where appropriate, it is possible to recognize some of the legitimate unique costs localities incur.

FRAMEWORK FOR EXAMINING REFINEMENTS TO SINGLE PER-PUPIL APPROACH

The key concept with respect to deciding conceptually whether a cost factor merits adjustment is "local choice or control." When a locality's high costs are due to factors reflecting its choice, or under its control, then adjustment to recognize those costs does not tend to promote equity.

For example, some local choices can lead to unusually high costs. A locality may choose to provide substantially higher educational service levels than are required by the SOQ. A locality may also decide to preserve a favorite neighborhood school at high costs, even though its consolidation with a nearby school would achieve significant savings. In these cases, the localities are deciding to incur higher costs by their own choice. The resulting costs are not the necessary costs for providing the SOQ, and the selective recognition of them based on local decisions does not promote pupil equity.

On the other hand, there are factors that, at least conceptually, may lead to unusually high costs and may be beyond local control. For example, the bus fleet in a large, rural locality may have to travel an unusually large number of miles to pick up a few pupils. This situation can result in high per-pupil costs. To the extent that higher costs are due to the sparsity of students in the locality, over which the school division has no control, the higher costs are not a matter of local choice and may merit adjustment.

However, the extent to which some cost factors are "beyond local control" is debatable. Also, data are not always available to test all hypotheses as to which factors are beyond local control. Within the limits of these two constraints, as well as within the constraints of the study time frame, JLARC staff assessed the need for cost refinements based on factors largely beyond local control.

As a result of this analysis, three areas were identified where cost refinements should be given serious consideration:

- differences in the impact of SOQ staffing requirements on instructor-to-pupil ratios,
- differences in salary levels necessary to compete in different regional labor markets,
- differences in pupil transportation costs due to differences in geographic area and the number of pupils transported.

INSTRUCTIONAL STAFFING ANALYSIS

Instructional positions include those personnel who work in the schools and are involved in the process of instructing pupils. The Standards of Quality include a number of quantified standards defining minimum staffing levels for instructional personnel.

In JLARC staff's analysis for SOQ Part I and Part II, instructional positions are considered to include principals, assistant principals, teachers, librarians, guidance counselors, and instructional aides. Traditionally, the Department of Education has defined instructional personnel slightly differently, excluding instructional aides and including instructional supervisors and visiting teachers. However, instructional supervisors and visiting teachers are neither school-based nor routinely involved in the instruction of pupils, while instructional aides are both and meet the definition.

As mentioned in the previous chapter, JLARC staff performed a comprehensive analysis of SOQ instructional staffing requirements by division in the first phase of the study. One key finding of this analysis was that there were substantial differences between divisions in the overall impact of the same set of standards. Data on the variation were provided for informational purposes in the JLARC SOQ Part I report, but were not used in the cost calculations. This was because the Appropriation Act required all localities to have 51 basic positions per 1,000 pupils, and 57 positions per 1,000 pupils for basic, special, and vocational education.

However, localities must meet all SOQ instructional personnel requirements. As mandates, the SOQ are beyond individual locality control. Therefore, the fact that the standards have differing impacts on the instructors required in localities needs to be considered as a pupil equity issue.

This issue was identified by some superintendents, especially from small school divisions, at the SOQ funding workshops. For example, the superintendent of Highland County said:

> Numbers required to operate efficiently are largely uncontrollable in a small school division. Class sizes are often dictated by the number of students available in a single grade; not by provision for optimum sizes....

The Governor's Commission on Excellence in Education also recognized this issue, writing in its report:

> Replacing the statewide average of 59.5 teachers per 1,000 students with the number actually required for each division to meet the standards may improve the equity of the distribution of funds.

To examine the pupil equity issue of variations between school divisions in total SOQ instructional personnel required, JLARC staff updated and refined its SOQ Part I analysis of the number of instructional personnel required by the SOQ in the various divisions. The standards summarized in Exhibit 1 were applied to fall enrollment and other pupil count data for the 1986-87 school year for each of the schools in Virginia. Depending on the appropriate level for each particular standard, a division-level, school-level, or grade-level analysis was performed. The standards were applied in a cumulative fashion, so that where there was overlap in the standards, the standard with the higher staffing requirement was recognized. Using this approach, the minimum number of positions effectively required by all the standards could be identified.

EXHIBIT 1

SUMMARY OF EXISTING STANDARDS
APPLIED TO CALCULATE REQUIRED STAFFING

Schools are to offer a minimum of 3 hours of kindergarten [from the Standards of Accreditation].

K-3 classes are not to exceed 30 pupils, and if kindergarten classes exceed 25, an instructional aide must be assigned [from the codified SOQ].

Classes for grades 4-7 in elementary schools are not to exceed 35 [Standards of Accreditation].

The ratio of pupils to teaching positions in grades K-6 is not to exceed 25 to 1 division-wide [codified SOQ].

Middle and secondary schools are not to exceed an overall ratio of 25 pupils per teacher [Standards of Accreditation].

Minimum staffing for principals, assistant principals, librarians, and guidance counselors are specified according to school size [Standards of Accreditation].

Handicapped students shall be provided a program of appropriate instruction acceptable to the Board of Education [codified SOQ]. Class size standards for providing the appropriate instruction range from 6 to 18, depending on the handicap, or 8 to 14 for classes taught with the help of an instructional aide.

Vocational education programs are to be offered [codified SOQ]. Maximum class size standards are set by the Vocational Education Management System (VEMS).

Additional instructional positions must be provided to meet the remedial needs of low-achieving pupils [codified SOQ].

Each school division shall offer differentiated instructional opportunities for identified gifted and talented students [codified SOQ]. The Appropriation Act funds 1 instructional position for each 1,000 pupils in ADM.

Staffing and Costs of the Proposed Standards. Cost data in the previous chapter are based on the existing SOQ. However, the Standards of Quality and Standards of Accreditation will be revised for the next biennium, and there are some new proposals with potential cost impact. The proposed standards of the Board of Education would be effective July 1, 1988, subject to the action of the General Assembly.

The three new proposals with SOQ cost impacts are:

- *Elementary guidance*: For the first time, elementary guidance counseling would be required in FY 1990, at 1 position per 500 pupils.

- *Maximum division-wide ratio of 24 students per teacher in grade 1*: Current standards permit up to a maximum of 30, but a school division's overall pupil to teacher ratio for grades K-6 is not to exceed 25 to 1.

- *Maximum division-wide ratio of 24 students per English class, grades 6-12*: Current standards simply require that middle and secondary schools have overall pupil to teacher ratios that do not exceed 25 to 1.

Based on an analysis of DOE fall membership data, it is estimated that the new standards would require 1,016 elementary guidance counselors in FY 1990; 33 additional first grade teachers in FY 1989 and 34 in FY 1990; and 154 additional secondary English teachers in FY 1989 and 155 in FY 1990. The first grade pupil-teacher ratio standard does not have a major impact because the current 25-to-1 division-wide standard for grades K-6 requires most divisions to have sufficient elementary teachers to provide for this first grade requirement. The State and local cost for salaries and fringe benefits associated with additional positions required to meet the new standards in the next biennium is estimated to be between $13.5 million and $14.3 million, assuming a 5.8 percent salary increase. The range in this cost estimate is based on whether or not the cost of competing is recognized. In divisions which require fewer than 57 positions per 1,000 to meet other SOQ standards, it is assumed in this cost analysis that the positions and costs of these standards can be subsumed into the 57 positions per 1,000 currently recognized.

JLARC analysis indicates that seven divisions require more than 51 positions per 1,000 ADM to meet basic instructional program needs, and that a majority of divisions would require more than 57 positions per 1,000 ADM for basic, special, and vocational education if the new Board of Education standards are adopted.

Three points should be made about the results of this analysis. First, as can be seen in Table 5, the divisions that require more than 57 positions tend to be small school divisions, although there are also some larger urban divisions with concentrations of pupils having special instructional needs.

Second, these results on SOQ required positions are for basic, special, and vocational education only. JLARC staff analysis indicates that to also meet gifted and talented and remedial requirements, 120 of the 140 localities need to provide more than 60 positions per 1,000 (see Appendix A). The costs of gifted and talented and remedial positions are also included in the JLARC staff calculations of SOQ costs.

Table 5

LOCALITIES REQUIRED TO PROVIDE
MORE THAN 57 POSITIONS PER 1,000 FOR
BASIC, SPECIAL, AND VOCATIONAL EDUCATION*

Locality	Positions Per 1,000	Locality	Positions Per 1,000
Campbell	57.1	Brunswick	59.2
Greensville	57.1	Craig	59.4
Emporia	57.1	Middlesex	59.5
Botetourt	57.2	Albemarle	59.5
Alleghany Highlands	57.2	Southampton	59.5
Clifton Forge	57.2	Clarke	59.5
Patrick	57.3	Charlottesville	59.5
Salem	57.4	Accomac	59.6
Roanoke County	57.5	West Point	59.6
Buckingham	57.6	Alexandria	59.7
Richmond County	57.6	Bristol	59.9
Buena Vista	57.6	Arlington	59.9
Sussex	57.7	Amelia	60.1
Appomattox	57.7	Louisa	60.1
Surry	57.8	Lee	60.3
Richmond City	57.9	Falls Church	60.4
Wise	57.9	Wythe	60.6
Norfolk	57.9	Radford	61.6
Fredericksburg	58.0	King & Queen	61.9
Montgomery	58.1	Mathews	62.0
Hopewell	58.1	Covington	62.4
Shenandoah	58.2	Scott	62.5
Amherst	58.2	Floyd	62.5
Northumberland	58.2	Charles City	63.1
Colonial Heights	58.2	Goochland	63.2
Westmoreland	58.3	Essex	63.6
Culpeper	58.3	Fries	64.9
Dinwiddie	58.3	Grayson	64.9
Giles	58.5	Galax	64.9
Colonial Beach	58.5	Greene	65.0
Roanoke City	58.6	Rappahannock	65.2
Mecklenburg	58.8	Manassas Park	65.8
Nelson	58.8	Carroll	66.0
Rockbridge	59.0	Bath	70.7
Lexington	59.0	Bland	79.1
Augusta	59.1	Highland	92.9
New Kent	59.1	Cape Charles	127.4

*Includes Board of Education standards with new requirements for first grade, secondary English, and elementary guidance. The analysis is based on 1986-87 enrollment data. ADM data used to standardize positions is weighted 51/57 adjusted, 6/57 unadjusted.

Finally, the analysis is based on the actual configurations of school divisions and schools. It was not within the study scope to examine the appropriateness of local choices about how schools should be organized or operated. However, recognition of costs above 57 positions per 1,000 promotes equity best if the need for the staffing is due to factors beyond local control and not factors within local control. The two localities with the highest staffing ratios illustrate the point. The locality with the highest ratio is a town with a small enrollment where high staffing levels are required because of a local choice to exist as a separate school division (this division is currently consolidating). The locality with the second highest ratio, Highland County, is a geographically isolated, mountainous school division with only one elementary and one secondary school. This locality's high staffing needs in order to meet the SOQ are beyond local control.

For this report, cost options are developed using 57 positions per 1,000 as a floor for basic, special, and vocational education, because that figure has been used in Appropriation Act requirements referenced by the SOQ. In addition, however, pupil equity is promoted by recognizing needs for positions above 57 per 1,000 that are beyond local control. Therefore, the cost options also recognize SOQ positions above 57 per 1,000. The total State and local cost of recognizing the SOQ positions above 57 per 1,000 would be $47.2 million for the 1988-90 biennium.

ANALYSIS OF THE COSTS OF COMPETING FOR PERSONNEL

There is significant variation in the salary levels offered by school divisions in the Commonwealth. The current State approach to SOQ funding recognizes the same salary levels throughout the State. The State's funding practice does not penalize school divisions that offer lower salaries than statewide prevailing levels, a circumstance that in some cases may be due to limited local abilities to raise revenue. In this respect, the current funding practice promotes equity.

However, a potential concern is that some divisions may have to pay salaries significantly above the statewide prevailing level because of a factor that is largely out of local control -- the local or regional wage market.

The price that school divisions must offer to compete for personnel in the regional labor market can have an impact on division salary costs. To some extent, the salaries which are offered to instructional personnel may not be subject to "local choice." In some labor markets, for example, workers have a large number of alternative occupations which pay relatively high wages. In other labor markets, there may be few employment opportunities offering high wages. School divisions in the former situation may be forced to pay higher wages to compete successfully against other potential employers in the region.

The SOQ were revised in 1986 to include this statement: "The General Assembly finds that the quality of education is dependent on the quality of classroom teachers, and that the availability of high quality classroom teachers is related to the salaries offered such personnel." A number of workshop participants, especially from Northern Virginia but also

from some other areas of the State, raised the issue of higher costs of competing for personnel as a factor that affects their salaries. The Governor's Commission on Excellence in Education said in its report, "The most important consideration for teachers' pay is that it be competitive in the marketplace."

To examine the issue of differences in local or regional markets, JLARC staff examined average weekly wage data from the Virginia Employment Commission (VEC). These data show the average weekly wages per worker in the localities, based on employment and payroll information reported by employers on the VEC's Employer's Quarterly Contribution Report. The report covers 98 percent of all employees because it is mandatory for "covered employers" (employers of those workers who are covered by unemployment insurance). Also, it is audited by the federal government. This report contains information on the number employed, total wages, taxable wages, and employer contributions for each locality. For each locality, an average weekly wage per worker can be computed.

Average weekly data was aggregated to the Planning District Commission (PDC) level (there are 22 PDCs) as one way of identifying regional labor markets. Analysis of the data across several quarters consistently indicates that there is a significant discontinuity in the data between the Northern Virginia planning district and the planning district with the next highest wage level. This is by far the largest discontinuity in the data distribution. Figure 2 shows a plot of mean PDC average weekly wages for the period from the second quarter of 1985 through the first quarter of 1986. The Northern Virginia planning district (which includes Arlington, Fairfax, Loudoun, Prince William, Alexandria, Fairfax City, Falls Church, Manassas, and Manassas Park) has an average weekly wage which is 17.56 percent greater than the next highest planning district (Richmond City and surrounding areas). The Richmond district was only 3.68 percent higher than the next district.

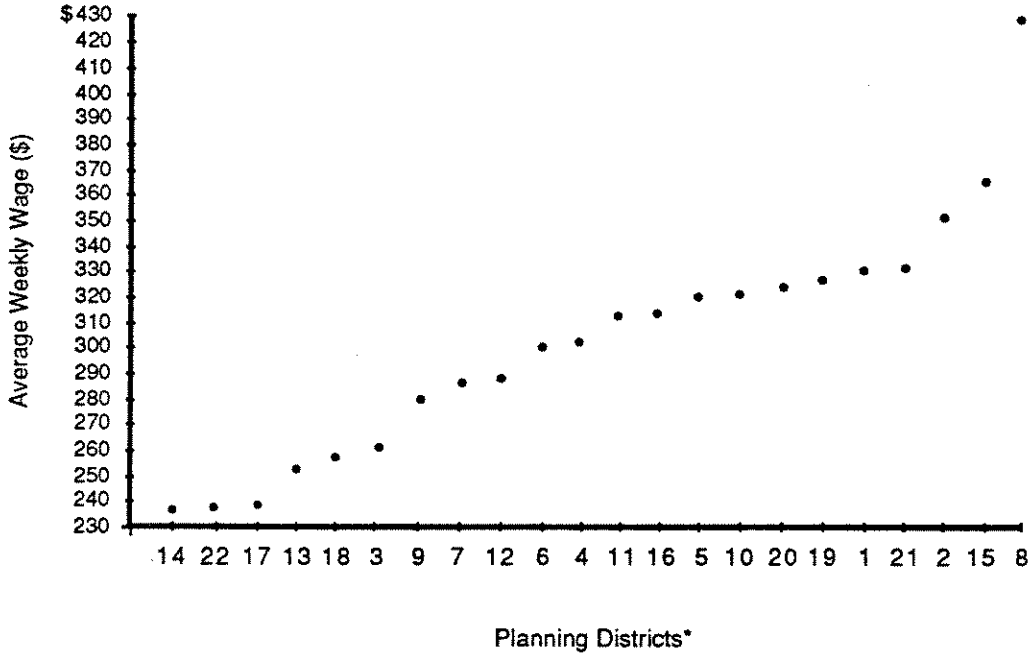
The data base used in this approach has some limitations. An analysis that would specifically compare professions that are directly competitive with the types of positions available in school divisions would be better. That analysis could even be further refined by trying to control for different variables, such as years of experience, education background, and other factors. However, such an analysis would be extremely complex and cannot be handled as part of a broad distribution study.

Nonetheless, the average weekly wage data base strongly suggests a major difference in the Northern Virginia regional wage market. This finding is consistent with the findings from the Department of Personnel and Training (DPT) salary surveys, which have been used by the State to establish a wage differential for State employees in Northern Virginia. DPT salary survey data are used to calculate step differences between the salary ranges for Northern Virginia employees and the salary ranges for the rest of the State. To develop an adjustment approximating State salary practices, the step differences defined by DPT for different job classes were converted into percent increases. A prevailing percent difference was calculated across all the job classes. This percentage was 12.53.

Thus, one possible adjustment would be to recognize salary levels in the Northern Virginia PDC that are 12.53 percent above the statewide linear weighted average. DPT may be able to refine the analysis by providing

Figure 2

Average Weekly Wage Data by Planning Districts



***Planning Districts**

PD14	= Piedmont	PD11	= Central Virginia
PD22	= Accomack-Northampton	PD16	= Radco
PD17	= Northern Neck	PD 5	= Fifth
PD13	= Southside	PD10	= Thomas Jefferson
PD18	= Middle Peninsula	PD20	= Southeastern Virginia
PD 3	= Mount Rogers	PD19	= Crater
PD 9	= Rapahannock-Rapidan	PD 1	= Lenowisco
PD 7	= Lord Fairfax	PD21	= Peninsula
PD12	= West Piedmont	PD 2	= Cumberland Plateau
PD 6	= Central Shenandoah	PD15	= Richmond Regional
PD 4	= New River Valley	PD 8	= Northern Virginia

Source: JLARC staff analysis of VEC Employer's Quarterly Contribution Reports, 1985-1986.

separate salary adjustments for types of positions, based on their salary survey data. The total cost of a 12.53 percent adjustment across all positions, however, would be $129.7 million during the 1988-90 biennium, of which approximately $52.1 million would be State cost.

In general, the use of a cost-of-competing index does not bring salary recognition to actual salary levels offered by the school divisions in the Northern Virginia planning district. The difference may be attributed to local choice or aspiration. For example, Table 6 shows a comparison of FY 1986 Arlington and Fairfax County average teacher salaries and the linear weighted average for FY 1986 multiplied times 1.1253. Arlington and Fairfax actual salaries are still significantly higher than those recognized with a 12.53 percent adjustment.

Table 6

ARLINGTON AND FAIRFAX COUNTY TEACHER SALARIES
COMPARED TO PREVAILING SALARIES WITH ADJUSTMENTS
FOR COST OF COMPETING

		Actual Salary	Linear Weighted Average Times 1.1253 Adjustment
Arlington	(elementary)	$27,512	$19,687 x 1.1253 = $22,154
Fairfax County	(elementary)	$28,791	$19,687 x 1.1253 = $22,154
Arlington	(secondary)	$35,893	$21,073 x 1.1253 = $23,713
Fairfax County	(secondary)	$30,547	$21,073 x 1.1253 = $23,713

Source: JLARC analysis of FY 1986 Annual School Report data.

PUPIL TRANSPORTATION

A substantial portion of pupil transportation costs are funded under basic aid. In FY 1986, for example, the linear weighted average applied across all localities calculates costs of $138,266,224. Pupil transportation categoricals provided funding of only $32,962,556 in that year. Under the current system, the categorical funding is subtracted off the top from calculated costs, and the remainder is divided into State and local shares under the basic aid formula.

Costs covered by the basic aid formula are translated into a single statewide per-pupil amount. But transportation cost data indicate that a single value per ADM cannot be used to represent satisfactorily the pupil transportation costs of localities. Transportation costs vary considerably, and there are factors that are largely beyond local control or choice that would appear to affect at least some of that variation.

JLARC staff examined factors largely beyond local control to see whether they were associated with variation in per-pupil costs. The transportation costs of "regular" pupils (those riding regular DOE-approved school buses), exclusive schedule pupils (handicapped pupils requiring a separate form of transportation service on exclusive schedule buses), and special arrangement pupils (those handicapped pupils requiring transportation services other than those provided by exclusive schedule buses) were kept separate in the analysis because the costs for the different types of pupils are very different.

Analysis indicated that for the regular and exclusive schedule cost data, the two most important distinguishing factors were area of the locality (in square miles) and the scale of operation (represented by the average daily attendance of transported pupils). Examination of the land areas of all school divisions with pupil transportation programs indicated that the localities fall into two main groups: those with less than 80 square miles, and those with 80 or more square miles. But examination of the number of transported pupils for all school divisions indicated no clearly distinguishable groups based on that factor. Therefore, localities were grouped according to where they stood in relation to each other: lower, middle, and upper thirds. (See Appendix B for the locality clusters used in the analysis of regular pupils).

For each of these two data sets, the localities were grouped according to area size and scale of operation, and prevailing per-pupil costs using a linear weighted average of the costs within each group were calculated. These prevailing per-pupil costs are presented in Table 7.

On the other hand, no factors beyond local control appeared to be associated with per-pupil costs in the special arrangement data. The prevailing special arrangement per-pupil cost was $1,399.

The total State-recognized operating cost of pupil transportation for each division was calculated as follows. For regular pupils, the ADA of regular pupils transported was multiplied by the appropriate prevailing per-pupil cost for that locality. Similar multiplications were made for exclusive schedule and special arrangement pupils. Then the products were summed.

Also, two additional types of cost to each locality were recognized. The State Board of Education recommends that approved school buses be replaced after 12 years of service. Therefore, for each division the number of State-recognized school buses was divided by 12, and then multiplied by the State contract cost of a new bus.

The number of State-recognized school buses was determined in three steps. The first was to determine the division-wide prevailing number of buses per hundred pupils transported for regular and for exclusive schedule pupils separately, for each locality cluster. Second, for each division, the appropriate prevailing number of buses per pupil was multiplied by the locality's corresponding number of pupils. Third, the number of State-recognized buses was then defined as either this calculated number of buses, or the actual number of approved school buses in the division if it was lower. The State contract cost used was for a 64-passenger bus with hydraulic brakes, and was $23,311 in FY 1988.

Table 7

PREVAILING PER-PUPIL COSTS FOR TRANSPORTATION

Regular Pupils:

Area of Division	Relative Number of Pupils Transported		
	Low Third	Medium Third	High Third
Small	$ 74	$117	$117
Large	$194	$157	$129

Exclusive Schedule Pupils:

Area of Division	Relative Number of Pupils Transported		
	Low Third	Medium Third	High Third
Small	$1,591	$ 908	$ 908
Large	$2,715	$1,978	$1,553

Source: JLARC analysis of 1985-86 data from DOE pupil transportation services.

The other additional type of cost has to do with those divisions in which pupils ride public transit buses. For each division, the number of pupils riding public transportation was multiplied by the comparable prevailing regular per-pupil cost, to determine a cost estimate for transporting these pupils.

For each locality, then, the total State-recognized pupil transportation program cost is the sum of: the regular pupil operating cost; the exclusive schedule pupil operating cost; the special arrangement pupil operating cost; bus replacement costs; and costs of pupils riding public transit. The JLARC staff conclusion is that adopting the proposed transportation cost approach would recognize real differences in costs that are brought about by two factors largely beyond local control: area, and number of transported pupils. Therefore, pupil equity would be improved.

SOQ COSTS WITH REFINEMENTS

Table 8 shows total SOQ costs with recognition of basic, special, and vocational positions required above 57 per 1,000; use of a cost of competing adjustment for Northern Virginia; use of the new pupil transportation

methodologies; and inclusion of the proposed new standards for 1988-90. The total cost for the biennium is estimated to be $6,213,388,897.

Instructional personnel costs, including fringe benefits, are approximately 65 percent of the total cost of the standards for the biennium. SOQ support costs make up the remaining 35 percent. In comparison to the estimated SOQ costs under the existing approach as shown in Table 4, this estimate represents a $156 million increase. The increase in instructional salaries and fringe benefits is the result of the cost of competing in Northern Virginia and the increase in the number of instructional positions recognized.

Table 8

COST OF THE STANDARDS OF QUALITY
USING JLARC STAFF REVISED COST ANALYSIS

Instructional Personnel	FY 1989	FY 1990	Biennium Total Total
Basic Instruction	$1,355,217,481.44	$1,447,244,480.12	$2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education	51,511,718.71	56,961,346.95	108,473,065.66
Gifted/Talented	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits	359,691,386.62	386,777,294.71	746,468,681.33
TOTAL	$1,953,020,859.47	$2,095,040,494.89	$4,048,061,354.36
SOQ Support			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
TOTAL	$1,049,959,089.01	$1,115,368,453.79	$2,165,327,542.81
TOTAL SOQ COSTS	$3,002,979,948.49	$3,210,408,948.68	$6,213,388,897.17

Source: JLARC analysis of Department of Education and local school division data.

IV. MEASURING LOCAL ABILITY TO RAISE REVENUE AND CALCULATING LOCAL SHARES

Tax equity is another high-priority goal for distributing SOQ funds to localities in Virginia. Because not all localities have equal financial resources, the goal of tax equity focuses on the idea that without State support, local efforts required to pay for foundation education costs can be disproportionate.

The application of the tax equity concept involves providing State aid to help compensate for disparities in ability to pay for the foundation program. Therefore, the less a locality's ability to pay, the more State funding it should receive. Promotion of tax equity in State funding should help ensure that localities will not face disproportionate tax burdens to meet their local share of SOQ costs, and should also improve the ability of poorer localities to allocate additional local revenues to fund local education goals.

The first key step in addressing tax equity is to assess each locality's ability to generate local revenue to pay for its education program. In most states, local school districts form special taxing districts and receive a substantial portion of their revenue from the taxes they levy on property values within the districts. Consequently, education funding formulas to distribute State aid tend to rely on real estate values as a measure of the local resources available.

Virginia's situation regarding the local financing of schools differs substantially from most other states. Local school districts themselves have no taxing authority. Instead, they receive revenues from local governments, whose resources are not limited to property values.

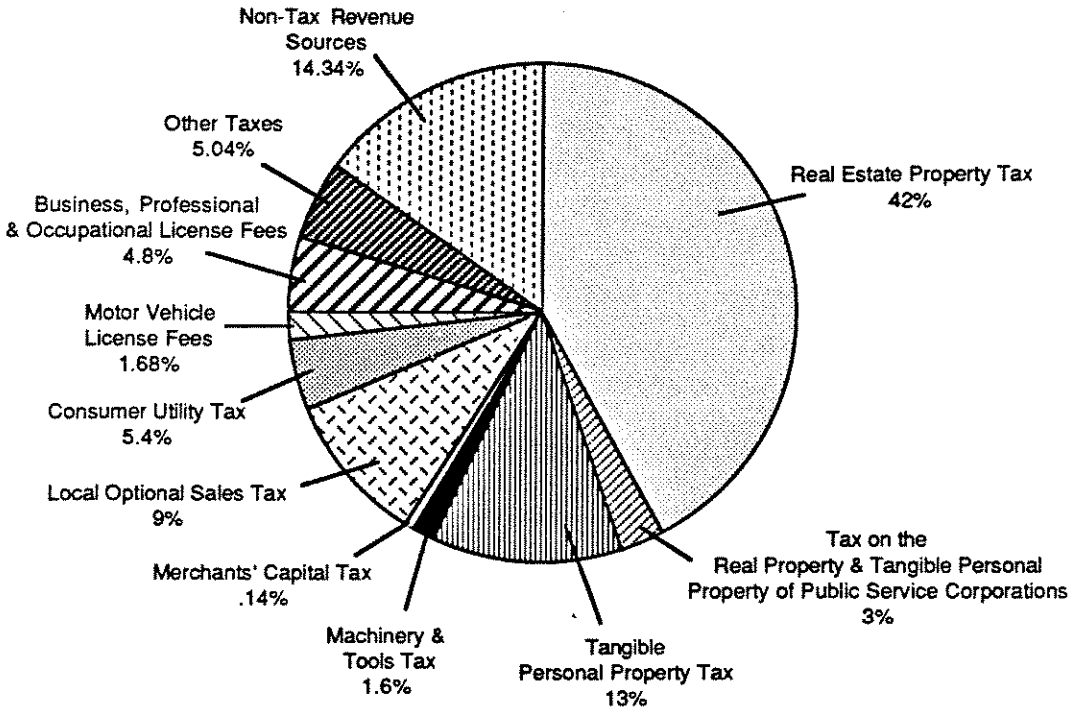
Local governments in Virginia collect three general types of revenue. General property tax sources include real property, merchants capital, machinery and tools, and tangible personal property. Nonproperty tax sources include sales and consumer utility taxes, franchise licenses, business/professional/occupational licenses, fees for recordation and wills, fees from admissions and amusements, restaurant taxes, cigarette taxes, and other sources. Nontax sources include fines and forfeitures, permits/privilege fees/regulatory licenses, charges for services, and revenue from use of money and property. The single predominant source of local government revenue in Virginia is real property, which is composed of real estate and real property from public service corporations. While reliance on real property revenues varies substantially across localities, in aggregate real property revenues account for less than half of all local revenues Statewide.

A variety of other revenue sources comprise the remaining proportion of Statewide local revenues. Figure 3 shows the proportion of total statewide revenue accounted for by each source. In addition, Exhibit 2 provides some background information on the different revenue sources.

Because there are many different revenue sources available to local governments, a broad measure of local resources is needed. Measuring local

Figure 3

Local Revenue Sources in Virginia



Note: Percentages represent proportion of local revenue statewide.

Source: JLARC staff analysis of Auditor of Public Accounts data for FY 1986.

resources in Virginia has been an evolving process, which began with the use of real estate measures only, and included the development of the composite index and revenue capacity (which are both multi-component measures) in more recent years. From 1946 until the early 1970s, the formula used to measure local wealth (and to distribute state education funds) relied solely on the true value of real estate for each locality. When this component was solely used in a formula, the real estate tax represented a larger proportion of locally raised revenue.

Major changes in the interim included the adoption of local option sales taxes and the urbanization of many localities, which subsequently led to the expansion of many nonproperty-tax sources of revenue. By FY 1970, only 50 percent of locally raised revenue came from the real property tax, 10 percent from sales tax, and 40 percent from all other property and nonproperty taxes as well as miscellaneous revenue sources.

Exhibit 2

LOCAL REVENUE SOURCES

Real estate property taxes are levied on land from urban and suburban family residences, multi-family residences, commercial and industrial properties, and agricultural properties, as well as on buildings and improvements to these properties.

Public service corporation (PSC) real property taxes are levied on land, buildings, machinery, water lines, stock in inventory, and other physical assets of utility companies (e.g., railroads, telephone and telegraph, water, heat, light, power, and pipeline companies).

Tangible personal property taxes are levied on commercial and residential property which may be seen, weighed, measured, or touched, such as motor vehicles and office equipment.

PSC tangible personal property taxes are levied on automobiles and trucks. The tax is equal to the rate levied on residential and commercial tangible personal property.

A machinery and tools tax is levied on the value of all machinery and tools owned by a manufacturer as of January 1 of each year. The rate is set by each locality and limited to the rate established for other tangible personal property.

A business, professional, and occupational license (BPOL) fee may be imposed on retailers, professionals, and repair services, in lieu of a merchants' capital tax.

A merchants' capital tax is imposed by all counties (no cities may levy this tax). Localities may use this tax or BPOL, but not both, for any single classification of merchant.

A local option sales tax of one percent is levied by all localities in Virginia. It is added to the State 3.5 percent sales tax.

A consumer utility tax is a percentage of utility charges (e.g., telephone or electricity).

A motor vehicle license fee is levied by most localities, and ranges between $1.00 and $25.00. In most cases, a separate fee is levied for vehicles under and over two tons.

Other taxes include taxes on utility licenses, bank franchises (stock), deeds and wills, transient occupancy, meals, admissions, cigarettes, coal road improvements, and coal severances.

Non-tax revenue sources include permits, privilege fees, regulatory licenses, fines and forfeitures, charges for services (e.g., sanitation), revenue from use of money and property, and others.

Source: JLARC staff analysis of Auditor of Public Accounts and Department of Taxation Virginia tax information.

It was evident to commissions studying State education funding around that time (the 1968-69 McMath Commission, and the 1972-1973 Task Force on Financing the SOQ) that real property could not accurately represent all locally raised revenues. Because most local tax bases are a mixture of several different sources, a multi-component formula to measure ability to raise revenue was needed.

THE COMPOSITE INDEX

The composite index, developed for the Governor's 1972-1973 Task Force on Financing the SOQ, recognizes that property is not the only source of local revenue. The index is currently used in the basic school aid formula to determine for each locality the proportion of SOQ basic operating costs to be funded locally and by the State. The formula distributes State education funds by requiring the State to pay a greater percentage of the education bill in relatively poor localities. A higher index indicates greater local capacity and a higher local share; a lower index indicates less local capacity and a lower local share.

The composite index is illustrated in Figure 4. It compares the "size" of each locality's tax base (relative to its population and its ADM) with the collective statewide "size" of local tax bases (relative to statewide population and ADM).

In the calculation of the composite index, as shown in Figure 4, the true value of real property is weighted 50 percent, the level of personal income is weighted 40 percent, and taxable retail sales are weighted 10 percent. The weights were originally based on the proportion of revenue derived from each major tax source in 1970. In addition, the composite index is standardized by both ADM and population weighted 2/3 and 1/3, respectively. Population was included in the standardization to provide some assistance to the State's major urban centers.

While the composite index represents an important advance in measuring local revenue bases, the application of statewide weights (50/40/10) to determine the importance of different revenue sources for each locality is a major limitation. That is, the index does not adjust for local variation in the importance of the tax bases. Although the factors used in the measure are reasonable components of local ability to pay, the importance of each revenue source can vary widely by locality. For instance, in FY 1986, real property accounted for 14 percent of Wise County's revenue and 82 percent of Surry County's revenue. Also, counties are far more reliant on real property taxes than are cities; real property revenue accounts for 49 percent and 39 percent for counties and cities, respectively. This difference reflects a more diversified tax base and greater taxing powers for cities.

In addition, the 50/40/10 weights have not been updated to reflect changing local revenue bases. This weighting scheme reflected aggregate local dependence on the three sources of revenue in FY 1970, but over time, local dependence has shifted. The JLARC report State Mandates on Local Governments and Local Financial Resources found that in 1982 real property

Figure 4

Composite Index and Basic School Aid Formula

COMPOSITE INDEX

- **ADM Component =**

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

- **Population Component =**

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

- **Local Composite Index =**

$$\frac{.6667 \times \text{ADM Component} + .3333 \times \text{Population Component}}{2}$$

BASIC AID FORMULA

- **Local Share (Required Local Expenditure) =**

$$\left[\left[\text{Basic Operating Cost Per Pupil} \times \text{Local ADM}\right] - \text{State Sales Tax}\right] \times \text{Local Composite Index}$$

- **State Share =**

$$\left[\text{Basic Operating Cost Per Pupil} \times \text{Local ADM}\right] - \text{State Sales Tax} - \text{Local Share}$$

Source: JLARC Staff analysis.

taxes had declined to 47 percent of local revenues. By FY 1986, real property represented only 45 percent of total local revenue, the local-option sales tax represented nine percent, and revenue from other local sources increased to 46 percent. Thus, the largest component is now revenue from other sources -- 46 percent of total revenue. If these shifts continue to occur, the accuracy of the composite index will further diminish, creating the potential for significant distortion in localities where the composition of the tax base differs significantly from the statewide weights.

REVENUE CAPACITY

Revenue capacity is a more refined measure of local fiscal capacity than the composite index. The revenue capacity measure is based on the "average tax rate" approach of the U.S. Advisory Commission on Intergovernmental Relations. The Tayloe Murphy Institute and the Institute of Government at the University of Virginia adapted this measure for use in Virginia. Since its inception, it has been further revised and updated in the 1980s by JLARC and the Commission on Local Government.

The measure computes the potential revenues that the localities can raise or produce if they impose or levy statewide average tax rates for each of the major tax instruments. That is, the major tax bases in a locality are multiplied times the average Statewide tax rate for those tax bases:

Local Tax Base X Statewide Average Rate = Potential Revenue Yielded

The sum of revenues yielded across the different tax bases is the revenue capacity of the locality, given the use of average tax rates. Figure 5 illustrates the revenue capacity calculation. The use of statewide average tax rates is beneficial because it provides a uniform expectation of local ability to tap revenue from revenue sources, and provides a direct method of summing the different tax bases of a locality on a comparable basis.

Comparison of Composite Index and Revenue Capacity Measures

The composite index and the revenue capacity measures are similar in certain respects. Both measures recognize that real property is not the only source of locally raised revenue, even though it is the single most important source. Both are used to measure the capacity of several local revenue sources or measure local abilities to raise revenue to support public services. Both address the true value of real property, the local option sales tax, and the need to proxy "other" local revenue sources. And both focus solely on local revenues, rather than including any federal funds made available to localities, such as impact aid. (Federal regulations prohibit the use of impact aid in Virginia's education formula.) Revenue capacity as traditionally calculated, however, offers several improvements over the current composite index.

Capturing the Local Importance of Tax Bases. In the revenue capacity measure, the weights vary across localities and depend on the relative

Figure 5

Computing Revenue Capacity

Revenue Capacity =

[Estimated True Value of Real Estate Property] x [Statewide Average Tax Rate]

\+ [Estimated True Value of PSC Property] x [Statewide Average Tax Rate]

\+ [Number of Motor Vehicles] x [Statewide Average Personal Property Tax Rate]

\+ [Number of Motor Vehicles] x [Statewide Average of Local Motor Vehicle License Fees]

\+ Sales Tax Revenue

\+ [AGI] x [Average "Other" Tax Rate]

Example: City of Winchester

Revenue Capacity =

[$584,595,000] x [.00860]

\+ [$24,052,000] x [.00765]

\+ [14,535] x [$117.59]

\+ [15,197] x [$15.49]

\+ $2,835,935

\+ [$193,859,288] x [.02027] = $ 13,921,549.75

Source: JLARC graphic of Commission on Local Government data.

size of the tax bases in each locality (assuming average tax rates). But under the composite index, the weights do not vary across localities, since the three tax base components used in this calculation are each weighted by the statewide average reliance of localities on these sources. Under the composite index, a locality with a high level of revenue-producing capability from a tax source given a low weight by the statewide average would not have this capability fully captured.

Utilizing More Precise Proxies than Income to Represent Certain Revenue Sources. In the composite index, total local income is used as a proxy for all revenue sources other than real property and taxable sales. This proxy constitutes 40 percent of the measure. In the revenue capacity measure, on the other hand, the importance of the income proxy has been reduced to about 31 percent. Both tangible personal property revenue and motor vehicle license revenue are measured as separate components, with the use of better proxies. The proxy used for both of these components is the number of registered motor vehicles.

Estimating Absolute as Well as Relative Ability to Raise Revenue. While the composite index measures tax bases, revenue capacity measures the revenues that may be derived from tax bases. Thus, revenue capacity can be used to not only indicate relative ability to raise revenue, but also to indicate revenues in dollars that localities can raise if average tax rates are applied. Although the composite index indicates relative ability to raise revenue in ratio form, it does not provide a dollar estimate of local tax revenues available for any locality.

Overall Assessment of Revenue Capacity and Composite Index

Overall, the composite index is a "prototype" attempt to reduce reliance on real estate as a sole measure of local wealth, and to account for the diversity in local revenue resources. However, the weights used in the composite index are not representative of the wide variations in local dependence on each major revenue source. Although 50 percent is the statewide weight for real property, between 14 and 82 percent of local revenue is actually derived from this source. On the other hand, revenue capacity is sensitive to variations by locality in the importance of different tax bases. The "weights" for different revenue sources vary by locality, and depend on the relative size of the tax bases as measured at average tax rates.

Calculating Local Shares Using Revenue Capacity

The revenue capacity measure can be used to calculate a local share for equalized SOQ funds, in a manner similar to that used for computing the composite index. The first step is to calculate the local revenue ratio, which is defined as:

$$\frac{\dfrac{\text{Local Revenue Capacity}}{\text{Standardizing Unit}}}{\dfrac{\text{Statewide Revenue Capacity}}{\text{Standardizing Unit}}}$$

The "standardizing unit" could be either population or ADM. A locality with a ratio greater than 1.0 can raise more revenues per unit than the State average. A ratio less than 1.0 means less revenues can be raised per unit.

Like the composite index, the local revenue capacity ratio can reflect both population and ADM simultaneously:

$$\text{Local Revenue Capacity Ratio} = 1/3\left[\frac{\dfrac{\text{Local Revenue Capacity}}{\text{Local Population}}}{\dfrac{\text{Statewide Revenue Capacity}}{\text{Statewide Population}}}\right] + 2/3\left[\frac{\dfrac{\text{Local Revenue Capacity}}{\text{Local ADM}}}{\dfrac{\text{Statewide Revenue Capacity}}{\text{Statewide ADM}}}\right]$$

The weights of 1/3 for the population component and 2/3 for the ADM component that are used in the composite index are retained in this illustration, although they could vary from 100 percent use of the population component to 100 percent use of the ADM component. The JLARC staff analysis indicated that ADM should be given greater weight than population to achieve tax equity.

The second step is to recognize the statewide split of program funding between the State and localities. For example, basic aid is currently funded based on a 50-50 split between the State and localities collectively. Some individual localities have local shares above 50 percent, while others have shares below, but statewide the aggregate local share comes to approximately a 50-50 split.

The final step is to calculate the local share for each locality, which is called the "local revenue index" when this method is used. The local share of a given locality is calculated by multiplying the aggregate local share of program funding times the local revenue capacity ratio:

$$\text{Local Revenue Capacity Ratio} \times \text{Total Local Share or Program Funding} = \text{Local Share}$$

A locality with a higher per-unit revenue capacity than the statewide average has a higher SOQ local revenue capacity ratio, and therefore a higher local share. A locality with a lower per-unit revenue capacity than the statewide average has a lower SOQ local revenue capacity ratio, and therefore a lower local share.

EQUALIZED EFFORT

Another approach to determining State and local shares that builds on the revenue capacity concept is called equalized effort. This section first discusses how local SOQ "effort" is defined, and then discusses how the equalized effort concept works.

Measuring Local Effort to Pay Local Share of SOQ

Different distribution options can be evaluated for tax equity by examining the effort localities must put forward to meet local cost responsibilities. That is, in order to assess various distribution options in terms of tax equity, it is necessary to have a measure of the effort each locality is required to devote to its share of the SOQ. Operationally, local effort is the locality's required local expenditures for the SOQ in a given year, divided by its revenue capacity measure:

$$\text{SOQ Effort} = \frac{\text{Local Share of SOQ Costs in Dollars}}{\text{Local Revenue Capacity in Dollars}}$$

This measure of local effort may be regarded as a local "tax rate for the SOQ." For instance, if the ratio of required local expenditures to revenue capacity for a sample locality is 0.3, this ratio means that the locality must levy 30 percent of the statewide average tax rate, on all tax bases, in order to pay for its required local share of the SOQ program. If, through a distribution formula, the effort ratios for all localities are equal, then all localities are effectively required to levy the same tax rate to pay for their share of the State mandated SOQ. That "same" tax rate is some percentage of the statewide average tax rates used in computing revenue capacity.

"Perfect" tax equity, if the definition of tax equity is taken to its fullest extent, is achieved when a funding system distributes funds so that effort is the same for all localities. In such a case, the standard deviation of observations from the mean is zero. The standard deviation is a statistical measure of the spread, or dispersion, of data points around the mean. Data concentrated tightly around the mean will have a small standard deviation. Distributions which have observations spread out in long "tails" will have a large standard deviation. Therefore, the more equitable the distribution system, the tighter the distribution of local effort around the mean, and the smaller the standard deviation. If there is a large variation in effort, then the funding mechanism is doing a poor job of offsetting differences in ability to pay for education services.

The calculation of SOQ effort enables us to see the relative proportion of a locality's revenue capacity that will be consumed to meet local SOQ costs under different distribution options. For each distribution option, SOQ effort percentages can be compared across localities, and therefore, the amount of SOQ costs for a foundation program to be funded by the State and localities (in aggregate) can be determined as well. Changes to the current distribution system can be assessed for their impact by comparing the resulting variance in effort with that of the current system.

Assessing Equalized Effort

Under an "equalized effort" approach, each locality is expected to contribute the same proportion of revenues from its tax base to pay for a given program. Prior to the work of the 1972-73 SOQ Task Force, Virginia used a variation of equalized effort for its major equalized account, the "Minimum Education Program" fund (MEP). Each locality was expected to contribute the yield from a 60 cent per hundred true tax rate applied to full values of real property in a base year. State MEP funding was then distributed to meet the difference between what the locality raised by applying this tax rate (plus what it received from other funding sources) and the calculated total cost of the minimum program.

In its first report, the 1972-73 Task Force on Financing the SOQ also recommended an equal minimum effort approach, suggesting a required 80 to 85 cent true tax rate. A concern of the Task Force, as well as of earlier commissions studying Virginia's funding formula, was the exclusive use of real property as the measure of local ability. As a result, for the second task force

report, equal minimum effort from the real property tax base was replaced as a concept by the composite index currently in use.

However, Virginia would no longer be limited to the use of a real property measure if the equalized effort concept were applied. Required effort could be defined as a proportion of revenue capacity.

Under this approach, the State would decide the level of effort that would be expected from localities in support of SOQ costs. To implement this approach, the State could determine the aggregate portion of statewide SOQ costs that localities should pay. Required effort for localities would be calculated by taking the required aggregate local expenditure (total SOQ costs for the program times the required aggregate local share) and dividing it by the total statewide revenue capacity of all localities:

$$\text{Required Effort} = \frac{\text{Total SOQ Costs} \times \text{Required Local Share}}{\text{Total Statewide Revenue Capacity}}$$

For example, the calculation of required local effort could produce a result of 0.25. This required local effort would be applied as a constant figure to each locality in the State, meaning that each locality would be required to pay 25 percent of its revenue capacity to meet its SOQ program costs. The State would fund the difference between what the locality could raise at the specified level of effort and its SOQ program cost.

There are various factors to consider about the equalized effort approach for determining local SOQ contributions. First, under this approach, more State aid would go to poorer localities because at a given effort, poorer localities can raise less money than can wealthier localities. Variations on the equalized effort approach are common in states with foundation education cost systems. A situation other states have encountered is that some of the wealthiest localities at the required effort level can pay for the entire costs of their foundation programs. Consequently, equalized effort can have a strong impact in compensating for local disparities in ability to pay; but few states have found it acceptable to provide no state aid to localities able to raise the foundation cost from the required effort. Therefore, they tend to implement state aid funding floors or local share ceilings.

REMAINING ISSUES FOR MEASURING LOCAL ABILITY TO RAISE REVENUE

There are additional issues that apply to the use of the composite index or revenue capacity: (1) the choice of an income measure for use in the calculations, (2) the use of an income adjustment when calculating local shares, and (3) the recognition of land-use taxation practices in the calculation.

Adjusted Gross Income (AGI) versus Personal Income (PI)

A respect in which the composite index and revenue capacity differ is the income data used in the income proxy. The composite index has traditionally used personal income (PI); revenue capacity has traditionally used adjusted gross income (AGI). Each income measure has some limitations.

Limitations of Personal Income. Problems have been identified in the past with Bureau of Economic Analysis (BEA) personal income estimates. Problems arise because of reporting difficulties involving zip codes, place of residence, and census data. Also, BEA will not provide personal income estimates for 1985 until April 1988. In addition, the Office of the U.S. Secretary of Commerce has sent an official statement to the Governor of Virginia confirming that BEA will no longer provide separate income estimates for cities with populations less than 100,000. Therefore, estimates would be available from BEA for only 9 of the 41 cities in Virginia. BEA has indicated that the data necessary to determine the personal income measure could be available for Virginia to do the analysis. The Office of the State Secretary of Education is pursuing this possibility, but the data will not be available for the 1988-90 budget.

Limitations of AGI. AGI and PI do not measure the same exact types of income. On the one hand, AGI includes short-term capital gains, some long-term capital gains, and personal contributions for social insurance (for example, social security). On the other hand, AGI excludes transfer payments, social security payments, unemployment compensation, certain fringe benefits, wages in-kind, tax-exempt dividends and interest, and income of persons not required to file a tax return (such as students, individuals with income far below the poverty level, and military personnel who do not claim Virginia residency).

AGI can also be overestimated in localities near the bordering states of North Carolina and Tennessee. Residents of these states who are employed in Virginia have Virginia income taxes withheld from their paychecks. Then they are required to file a Virginia income tax return to obtain a refund of these taxes. The income of these non-residents thus shows up in AGI, but Virginia localities may not be able to tap much revenue from them.

Conclusion. The availability of personal income data for all localities has been a source of major concern. AGI is a viable alternative, although its disadvantage is that it excludes more types of income than personal income. Either personal income or AGI could theoretically be used as proxies in either the composite index or revenue capacity. However, in July 1986, the Attorney General expressed the view that a legislative directive would be necessary to use AGI to represent the Appropriations Act concept of "individual income" in the basic aid formula.

Income Adjustment to Local Share Calculation

The composite index and the revenue capacity measure both attempt to measure local government ability to pay for public programs. Both are

based on the assumption that local governments derive equal abilities to pay from equal tax bases. One critique of this type of approach that has been raised in finance literature is that the ability to raise revenue is rooted in the income of residents, even when an income tax is not available. For example, it can be argued that localities with high-income residents can afford to levy higher tax rates on property than localities with low-income residents.

An option to recognize this argument would be to use a relative income measure to adjust local shares. One method for calculating such a relative income measure would be to compare the median tax return for a locality (median AGI) with the median AGI statewide to construct an income adjustment ratio:

$$\text{Income Adjustment Ratio} = \frac{\text{Local Median AGI}}{\text{State Median AGI}}$$

$$\text{SOQ Local Share with Income Adjustment} = \text{Income Adjustment Ratio} \times \text{SOQ Local Share}$$

Resolution of the issue of whether or not an income adjustment should be applied mostly depends on how ability to pay is viewed. Ability to pay could be viewed in terms of tax equity for local government units, where equal revenues are to be derived from equal, separately identifiable tax bases (this is the view implicit in the current composite index or the local revenue index). If ability to pay is viewed instead as taxpayer equity for residents, where equal revenues are to be derived from equal incomes, then income alone could be used as a basis for calculating local shares. If ability to pay is viewed as a combination of local government (tax) equity and taxpayer equity, then the composite index or the local revenue index with an income adjustment could be used.

Land Use Adjustment to Property Tax Calculations

One of the issues raised at the JLARC SOQ distribution workshops was the question of whether the calculation of local ability to pay should reflect local decisions to implement use-value taxation practices. The State has a land use policy that gives localities the option of assessing certain parcels of land (such as agricultural property) at a lower use value rather than the fair market value. Localities which implement a land use program argue that because they cannot reap the full tax benefits of specially assessed lands, State funding formulas should "discount" their value.

The recognition of land use in the funding formula is a policy choice. JLARC staff sent a land use survey to localities implementing a land use program, to assess the extent of these programs. Data were requested for a particular year, so that the data obtained would be consistent with study data for other local tax bases and revenues. Approximately 85 percent of the surveys returned did not provide data for the correct year or contained other data problems. In addition, follow-up calls indicate that data for the year

needed will not be obtainable in about 25 percent of the localities implementing land use without local reviews of the land books by parcel. These data problems have made it impossible to calculate the impact of land use within the time frame for this report.

V. CHANGES TO SOQ DISTRIBUTION TO PROMOTE EQUITY

The preceding chapter has discussed several different approaches to measuring local ability to pay. The choice of a particular measure of local ability to pay is only one of several choices that are important in determining how the State distribution system should work, and how the State can compensate for disparities in local abilities to pay.

This chapter contains a discussion of changes that could be made to the SOQ distribution system to promote equity. First, four distribution issues which have not been covered are discussed: (1) the extent to which measures of local ability to pay are used to distribute State funds and achieve equalization goals, (2) the identification of required local expenditures for the SOQ, (3) the allocation of special and vocational education funds, and (4) a proposed change in the SOQ for remedial education with a distributional impact. Second, illustrative SOQ funding options to promote equity are described. Finally, key approaches to promoting equity and reducing disparity are identified as a conclusion to the report.

EXTENT OF EQUALIZATION

In FY 1987 and FY 1988, 53.8 percent of State direct aid was equalized, or distributed based on local ability to pay. Equalized fund accounts included basic aid (the largest), the gifted and talented categorical, and transition payments. This percentage was less than the 56.2 percent of funding that was equalized in FY 1975, shortly after the SOQ Task Force's work, but more than the post-Task Force low of 47.3 percent in FY 1981.

Advocates of keeping the split between equalized and unequalized funding roughly at 50-50 percent have maintained that this achieves a balance in State funding. The countering point of view is that a 50-50 split maintains a balance only in the sense that the State distributes half of its funds equitably (to compensate for local disparities and promote equity), and the other half inequitably. Localities with lower abilities to pay are no more able to support the costs of unequalized programs than they are able to support the programs which have been equalized.

Review of the Equalization Issue

In its 1969 report, the Commission on the Constitutional Revision indicated that some minimum level of State participation in education funding is desirable in all localities, even those with the greatest ability to pay. The reason was that matters of State concern should be accompanied by some State financial participation.

Data about the current SOQ distribution system, however, raise a concern that State participation may be too little in localities with low ability

to pay and too much in localities with high ability to pay. Table 9 illustrates the point with data from two Virginia localities, one with low and one with high ability to pay. The locality with high ability to pay has seven times the revenue capacity per pupil. While State basic aid per pupil is distributed on a basis to help compensate for this disparity, more "other" State aid is actually distributed per pupil to the high ability to pay locality than to the low.

An analysis of the ten localities at the high end of ability to pay and ten localities at the low end indicates a pattern consistent with that shown in Table 9. The localities with the highest ability to pay received more State aid per pupil from non-basic aid accounts than was received by those with the lowest ability to pay, and received approximately 2/3 the State aid per pupil overall.

Table 9

DIFFERENCE IN STATE AID TO LOCALITIES
WITH HIGH AND LOW ABILITY TO PAY

	Locality With Low Ability to Pay	Locality With High Ability to Pay
Revenue Capacity Per Pupil	$1,646	$11,510
State Basic Aid Per Pupil	$1,116	$ 294
"Other" State Aid Per Pupil	796	934
Total State Aid Per Pupil	$1,912	$1,228

Source: JLARC analysis of 1985-86 revenue capacity data from the Commission on Local Government, and 1985-86 State aid data from DOE.

The magnitude of the funding to the localities with high abilities to pay results from several current distribution decisions that benefit those localities. With respect to basic aid, all composite indices are capped at 0.80, meaning that regardless of ability to pay, all localities have at least 20 percent of their "after State sales tax" basic operating cost paid for.

In terms of "other" State aid, State sales tax dollars dedicated to education are distributed based on school-age population, regardless of local ability to pay. Also regardless of local ability to pay, 100 percent of major fringe benefits for SOQ personnel are paid for in all localities by the State, up to a salary cap or the locality's actual salary, whichever is less. This approach is to the disadvantage of localities with less ability to pay, which tend to be reimbursed at their lower actual salaries. (Localities with greater ability to pay tend to have higher actual salaries and therefore more often receive full funding to the State salary cap). Finally, major categorical grants, such as the

special and vocational education add-ons, remedial funding, and pupil transportation are distributed based on need, regardless of local ability to pay.

An important way in which the State can do more to compensate for disparity in local ability to pay is by equalizing more funding. Additional accounts that could be funded in part or completely on an equalized basis include vocational education, special education, remedial education, pupil transportation, and fringe benefits.

One concern that is frequently expressed about equalizing more funding is that the programs to be equalized will be rolled into basic aid and program identity will be lost. However, equalizing more funding does not mean that accounts must be folded into basic aid. For example, under the current system, gifted and talented funding is equalized, but it is kept separately identifiable. If special, vocational, or remedial accounts are equalized, these programs could also remain separately identifiable.

This was a pupil equity issue as raised by JLARC SOQ workshop participants, especially special education interest groups, who were concerned that dollars not identified as special education funds may not be spent on special education. This issue can easily be addressed by keeping the accounts separately identified when they are equalized.

Addressing Potential Unintended Consequences of Greater Equalization

Two of the accounts that are potential candidates for equalization -- fringe benefits and pupil transportation -- are currently funded by the State at 100 percent of recognized costs. A potentially unintended consequence of pursuing equalization in these accounts is that the aggregate State percentage contribution to SOQ and education funding could drop.

Fringe benefits are such a major cost category that the equalization of these costs is important to promote tax equity. An approach to minimizing the unintended consequences of equalizing these costs is to make incremental increases in the State share for all equalized accounts to offset the decline in the State's contribution for fringe benefits.

REQUIRED LOCAL EXPENDITURES FOR SOQ

Currently the State monitors whether localities are spending sufficient funds to meet their shares of SOQ costs. Under this approach, required local expenditures are equal to the local share of basic operating costs (the local match for basic aid). However, the State distributes funds based on SOQ needs for other programs, such as special and vocational education. The current State share of these costs is 50 percent, leaving 50 percent in local cost that is necessary to fully fund the SOQ.

JLARC analysis of FY 1986 funding indicates that if localities were required just to match their share of basic aid, gifted and talented, and special

and vocational education funding, 17 localities would not have fully funded their share of the SOQ. Required local expenditure calculations should include the special and vocational education accounts, as well as other SOQ accounts for which there is a local share. This will improve pupil equity by ensuring that expenditures necessary to fully fund SOQ costs are actually made.

ALLOCATION OF SOQ SPECIAL AND VOCATIONAL ADD-ON FUNDS

JLARC staff cost calculations for the SOQ special and vocational add-on accounts are specifically based on the State share of required instructional salary costs for special and vocational education not already included in basic aid. The calculations for the add-on accounts do not cover support costs (such as supplies) for these programs, because those costs are also part of basic aid. The calculations also do not cover fringe benefit costs, which are treated as part of the fringe benefit cost accounts.

The costs and funding from these two accounts, then, are calculated as "add-ons" to the instructional salary costs already recognized in basic positions. For example, the SOQ require one teacher per 25 pupils at the secondary school level. Pupil-teacher ratios for some vocational education classes, and for all self-contained special education classes, are less than 25 to one. While a 25-to-one ratio is calculated for all pupils as "basic" personnel, additional personnel are required to meet the lower ratios required for special and vocational education.

Under current practice, the split of the six add-on positions for special and vocational education has not been directly tied to the quantified instructional personnel standards. Under the proposed JLARC staff approach, position calculations, State funding levels, and division allocations from these accounts would be based on the "add-on" positions directly required by the SOQ. Also, the funding would be equalized.

In some cases, localities request waivers from particular special education class requirements. The position calculations do not attempt to anticipate these requests, and the cost estimates are not therefore reflective of waivers. DOE could adjust State funding and required local expenditures where approved waivers reduce required SOQ costs.

CHANGES TO THE SOQ FOR REMEDIAL EDUCATION

As discussed in Chapter III, the Board of Education has several new proposals which will affect SOQ costs. In addition, the Board has proposed a new remedial education standard which entails a minimal difference in total statewide costs, but which has an impact on the distribution of funds.

The proposed new standard recognizes nine instructional positions per 1,000 pupils who have been identified as requiring remedial assistance based on test scores. These remedial positions are recognized in all divisions.

This is substantially different from the previous remedial standard for elementary pupils, which only recognized remedial needs in localities whose proportion of pupils identified as remedial exceeded a threshold of 25 percent. (The 1985-86 Appropriations Act reduced the funding threshold from 25 to 20 percent).

Advocates of the threshold approach maintain that it is appropriate because it concentrates remedial funding in the divisions with the greatest concentrations of remedial need. As with other SOQ, JLARC staff did not evaluate the adequacy of the proposed remedial standard, including the specific issue of whether it provides sufficient resources to meet remedial needs where they are concentrated. However, one aspect of the proposed standard clearly promotes pupil equity: the recognition of remedial needs in all divisions. Under the threshold approach to remedial funding, divisions with substantial numbers of pupils with remedial needs could still receive no recognition of these costs because they did not meet the threshold requirement. The proposed standard will ensure that all divisions have their needs for elementary remediation taken into account.

ILLUSTRATIVE SOQ FUNDING OPTIONS

As part of this study, JLARC staff developed a framework for assessing the impact of different choices. In this report, seven options are provided to illustrate the framework and the impact of making distribution choices (see Appendix C for option tables).

Certain factors (such as SOQ costs) were held constant across the illustrative options to maintain comparability between options. All options were thus based on the use of the cost refinements to promote pupil equity and a 5.8 percent per year instructional salary goal, leading to a biennial SOQ cost of $6.2 billion. The measure used to equalize, and the extent of equalization, are two types of choices highlighted by the illustrative options.

A key point about each of the options is that they are "illustrative." Many different combinations of choices can be involved in putting together a funding package. Seven options are provided to illustrate some of these choices and the JLARC study framework; it was felt that adding more options would only add to the complexity of the presentation.

The purpose of the JLARC review was to identify funding issues, develop ideas, perform analysis, and develop a framework for illustrating the impact of different options. The purpose was not to develop the SOQ budget -- the proposed budget may be different from any of the seven illustrative options, based on the policy decisions of the executive branch and the General Assembly.

Another key point about the data for the illustrative options is that the data are "preliminary." As has long been the case with education cost estimates, the data are sensitive to changes in many factors, such as ADM projections, sales tax revenue projections, and the identification of errors for particular localities in State agency data bases.

Overview of the Illustrative Options

All of the illustrative options use the same cost factors, to maintain consistency across options and to recognize choices that promote pupil equity. These cost factors are: (1) recognize 57 instructional positions per 1,000 as a floor, and more positions if required by SOQ, (2) use a 5.8 percent instructional salary increase in both FY 1989 and FY 1990, (3) recognize a cost of competing adjustment, (4) use the new pupil transportation cost method, and (5) include the costs of the proposed Board of Education standards.

The first option, then, utilizes these cost assumptions, and represents a "least change" in its distribution approach. For example, the composite index is used; it is standardized according to population and ADM based on the current one-third, two-thirds weights. However, adjusted gross income is substituted for personal income, because more recent AGI data are available, and because provision of personal income data for independent cities of less than 100,000 is being discontinued. More accounts than just basic aid and gifted and talented are equalized (special education, vocational education, remedial education, and pupil transportation), but instructional fringe benefits are not. Local shares are capped at 80 percent, as under the current system where no locality must pay more than 80 percent of equalized costs. No income adjustment is used, and the sales tax is distributed based on school-age population as it is under the current approach.

Option 2 is another option using the composite index, and it is the same as Option 1 with two changes: (1) fringe benefits are equalized at a State share of 90 percent in the second year of the biennium (FY 1990), and (2) all other equalized accounts are equalized around a nominal 52 percent State share instead of 50 percent, as an illustration of one approach to offsetting the decrease in the State contribution due to the equalization of fringe benefits.

Options 3 and 4 are identical matches of Options 1 and 2, except that the local revenue index is used instead of the composite index. Therefore, comparisons of Option 1 with Option 3 and Option 2 with Option 4 illustrate differences between the composite index and the local revenue index.

Option 5 illustrates the use of an income adjustment to local shares. In this option, the income adjustment is applied to the local revenue index; also, instructional fringe benefits are not equalized, and equalized accounts are equalized around 50 percent. Thus, this option is the same as Option 3, except an income adjustment is applied.

Option 6 also parallels Options 1 and 3 (same cost assumptions, no equalization of instructional fringe benefits, equalization around 50 percent), except that the equalized effort index is used instead of the composite index or the local revenue index to calculate local shares. Thus, this option can be used to compare the difference that equalized effort requires, compared to the use of the composite or local revenue indices.

Option 7 is the same as Option 6, except that an income adjustment is applied to the equalized effort index.

For each of the seven options, a summary sheet of statewide results and tables on locality results are provided in Appendix C.

Summary of Statewide Results

The statewide results summaries, labeled "Analysis of the Standards of Quality Costs and Apportionment to State and Local Governments," each contain four tables on one sheet.

Table 1 indicates total State SOQ funding that is necessary under the option, and the change that this funding level represents over both the "base budget" and the previous biennium. For example, the column labeled "Total Biennium Funding" indicates the total State funding level for the 1988-90 biennium necessary to pay the State share of the cost of this option. The increase in funding that this constitutes compared to the "Base Budget" is equal to the "Total Biennium Funding" for 1988-90 minus the FY 1988 funding level multiplied by two. The increase in funding that "Total Biennium Funding" constitutes compared to "Prev. Biennium" is equal to the funding required for 1988-90 under the option minus the State SOQ funding actually provided during the 1986-88 biennium.

Table 2 summarizes some of the key choices or assumptions that are used in the option, including the number of instructional positions recognized, the salary bases, the salary increases, the cost of competing, the use of current or new standards, the measure of ability to pay, the measure of income used as a proxy, the accounts equalized, and the aggregate State shares applied by account.

Table 3 shows the total costs of the SOQ that are required, without respect to State and local shares. The data are displayed according to several different cost categories.

Table 4 uses the total cost data from Table 3, but apportions the costs into State and local portions. The data are displayed by State SOQ funding categories.

Locality Results

There are two pages for each option showing locality results. These sheets are titled "Division Cost - Allocation Summary." For each option, several figures are provided by locality:

Foundation Cost. The data in this column represent the total SOQ costs, both State and local, that are calculated for the 1988-90 biennium under the particular option.

Local Share. This column shows the indices that are used to define local shares for basic operating costs under the options. For example, an index of 40.00 means that the locality pays 40 percent of basic operating costs, after the State dedicated sales tax is subtracted.

Local Cost. This column shows the total local portion of the SOQ cost for the 1988-90 biennium under the particular option. The local portion of the cost under all options is more than just the "required local expenditure" to match basic aid. It includes the local share of categorical costs, such as special education.

State Equalized Cost. This column shows total State SOQ aid for the 1988-90 biennium to be provided to the locality from equalized accounts. In other words, this is State funding which is distributed based on ability to pay.

State Non-Equalized Cost. This column shows total State SOQ for the 1988-90 biennium to be provided to the locality from non-equalized accounts.

State Cost Difference. The State cost difference is equal to total State SOQ aid for the 1988-90 biennium ("State Equalized Cost" plus "State Non-Equalized Cost") minus the base budget for level funding (FY 1988 funding levels multiplied times two).

Local Effort. To calculate this statistic, the "Local Cost" column is divided by two to calculate the average annual SOQ cost of the localities during the 1988-90 biennium. This annual local SOQ cost in dollars is then divided by 1985-86 revenue capacity in dollars, to provide an indication of the relative "local effort" that localities must put forth to meet their SOQ costs. For example, a local effort figure of 25.00 means that 25 percent of the locality's 1985-86 revenue capacity would be consumed to meet their average annual SOQ cost for the next biennium.

The seven illustrative options can be broadly summarized as follows:

- Option 1 -- Revised cost method, composite index, no change in State share
- Option 2 -- Revised cost method, composite index, 52 percent State share in FY 1990, phased equalization of fringe benefits in FY 1990
- Option 3 -- Revised cost method, local revenue index, no change in State share
- Option 4 -- Revised cost method, local revenue index, 52 percent State share in FY 1990, phased equalization of fringe benefits in FY 1990
- Option 5 -- Revised cost method, local revenue index with income adjustment, no change in State share
- Option 6 -- Revised cost method, equalized effort index, no change in State share
- Option 7 -- Revised cost method, equalized effort index with income adjustment, no change in State share

CONCLUSIONS: FUTURE DIRECTIONS TO PROMOTE EQUITY

This report has focused on two goals that have the highest priority within Virginia's framework for the Standards of Quality: pupil and tax equity. To promote these goals, different approaches are available.

Promoting Pupil Equity through SOQ Funding

Pupil equity has been defined as the "provision of the resources necessary for a meaningful foundation education program for all pupils." The major analysis conducted to assess the costs of "pupil equity" has been to assess the costs of Virginia's SOQ. The cost calculations have followed the standards.

Several broad concepts have been discussed within this report that could promote pupil equity through the SOQ funding system. These concepts include:

- Recognize instructional positions beyond 57 positions per 1,000 pupils for basic, special, and vocational education, where required by the SOQ.
- Recognize an adjustment for the cost of competing in regional wage markets beyond local control.
- Recognize variations in pupil transportation based on locality land area and number of pupils transported.
- Require local expenditures to meet the local portion of costs for all SOQ programs, not just basic aid.

There are also budget implementation decisions that could impact pupil equity. For example, JLARC staff cost calculations provide for fringe benefits for SOQ personnel at prevailing salary levels. Many school divisions do not actually offer prevailing salaries. The current distribution system caps fringe benefit payments to these localities at their actual salary levels. Separately identifying fringe benefit payments and capping them at actual salary levels may achieve greater State control over the use of funds. However, the practice differs from SOQ salary funding (and many other parts of SOQ funding), in which localities are given credit for prevailing salaries whether or not they pay those salaries.

The justification for State funding of the prevailing salary level regardless of whether particular localities provide for it is that some localities may have their salaries constrained by a factor largely beyond local control: a lack of local ability to pay. The same argument could be applied to fringe benefits, for which it could be argued that capping payments to these localities does not assist them in getting to the prevailing salary. Such a practice takes funds away that were calculated on a prevailing basis, and therefore does not promote pupil equity or help reduce disparity.

Promoting Tax Equity by Compensating for Local Wealth Differences

In this study, the "disparity" issue was addressed as a tax equity and not as a pupil equity issue. One measure of disparity in education that is often used is to compare the total per pupil expenditures of the highest and lowest spending divisions, and use this to define a pupil equity issue. This type of approach has some limitations.

First, there should be some expenditure variation, because different pupils have different needs, and because some localities face some factors beyond their control that increase costs. Second, Virginia's system seeks to ensure that a high-quality foundation program (the SOQ) shall be provided in every division, not equal expenditures. Since all divisions are required to meet the SOQ, if low-spending divisions are not providing programs of sufficient quality, then a part of the process is not working -- either the standards do not require enough, or local compliance with the SOQ are not adequately monitored. DOE administrative review reports indicate that some of the divisions among the lowest-spending in the State still meet SOQ and Standards of Accreditation. Finally, the use of this measure as a measure of disparity may tend to imply too close a link between quality and expenditures.

Instead, disparity was addressed in this study as a tax equity issue. The issue identified was whether the State does enough to compensate for local disparities in ability to pay for the SOQ. Key choices for tax equity include the choice of a measure of local ability to pay, and the extent to which that measure of ability to pay is used in the distribution of funds.

JLARC staff analysis indicates that revenue capacity measures local ability to generate revenue more accurately than the composite index. An important limitation of the composite index is that the weights attached to different tax bases do not vary between localities. In all localities, the weight attached to real property is 50 percent, sales tax 10 percent, and income as a proxy for "other revenue" 40 percent. Locality reliances on these sources vary over a wide range. Under revenue capacity, the implied "weight" varies between localities, and depends on the relative size of the tax bases in each locality, when the local tax bases are measured using average tax rates.

Despite the limitations of the composite index, it has become a familiar measure and may be difficult to replace. There is another distribution issue, however, that may be more important to addressing tax equity concerns: the equalization of more funds.

Additional funds that could be equalized include special, vocational, and remedial education. There is no reason to assume that poor localities have any more ability to pay for these programs than other programs. Other funds that could also be equalized are pupil transportation and fringe benefits. These two accounts are currently funded 100 percent up to certain caps; therefore, equalization of these accounts would require some offsetting increase in State funds to SOQ, if the level of State commitment is to stay the same.

Promoting Pupil Equity by Increasing the Standards

Concerns about disparities in school division resource levels could persist even if the funding improvements suggested in this report are implemented. Such concerns about disparity as a pupil equity issue can best be addressed by advancing what the Standards of Quality require.

The 1969 report of the Commission on the Constitutional Revision said that with respect to the SOQ, "the language of high quality' is intended to convey the idea of a progressively higher statewide standard, achievable under present conditions, but to be advanced as resources and circumstances permit." The 1986 report of the Governor's Commission on Excellence in Education indicated that the current SOQ "have laid important groundwork," but also said that the gap between Virginia's best schools and its worst "is simply too great."

Also, during the JLARC SOQ distribution workshop process, a number of personnel from school divisions and education interest groups maintained that the SOQ do not contain sufficient resource requirements. Some participants indicated that on that basis, JLARC cost calculations should be higher. For example, different groups argued that the personnel standards do not provide sufficient positions, or that the extra costs of educating economically disadvantaged pupils or providing English as a second language are not adequately taken into account.

However, the issue of whether the SOQ are sufficient has not been a part of this study's is scope. As an Attorney General opinion has stated, "... what items shall comprise the Standards is a matter for the exercise of sound judgement by the Board of Education, subject only to revision by the General Assembly." In terms of the extra costs of educating certain types of pupils, JLARC staff calculations followed the SOQ in each case where the standards identify the extra resources required by those pupils. However, there are no quantified personnel standards in the SOQ specifically pertaining to pupils such as the economically disadvantaged or those speaking English as a second language. If standards are defined that would help identify these needs, then the JLARC staff cost approach can recognize the costs of these standards.

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APPENDIX A

TOTAL REQUIRED SOQ INSTRUCTIONAL POSITIONS PER 1,000 ADM*
WITH 51 AND 57 FLOORS

Locality	Positions Per 1,000 Adjusted ADM (Basic, Gifted and Talented)	Positions Per 1,000 Unadjusted ADM (Special and Vocational Education Add-ons, Special Education Aides, Remedial Education)	Total**
Poquoson	52.0	7.0	59.0
Norton	52.0	7.4	59.4
Chesterfield	52.0	7.5	59.5
York	52.0	7.6	59.6
Virginia Beach	52.0	7.6	59.6
Hanover	52.0	7.7	59.7
Lancaster	52.0	7.7	59.7
Prince George	52.0	7.7	59.7
Waynesboro	52.0	7.7	59.7
Spotsylvania	52.0	7.8	59.8
Franklin County	52.0	7.8	59.8
Roanoke County	52.0	7.8	59.8
Rockingham	52.0	7.8	59.8
Madison	52.0	7.9	59.9
Tazewell	52.0	7.9	59.9
Charlotte	52.0	7.9	59.9
Campbell	52.0	7.9	59.9
Richmond County	52.0	8.0	60.0
Frederick	52.0	8.0	60.0
Lunenburg	52.0	8.0	60.0
Fluvanna	52.0	8.0	60.0
Staunton	52.0	8.1	60.1
Henrico	52.0	8.1	60.1
Dickenson	52.0	8.1	60.1
Prince William	52.0	8.1	60.1
Fauquier	52.0	8.1	60.1
Prince Edward	52.0	8.1	60.1
Nottoway	52.0	8.2	60.2
Clifton Forge	52.0	8.2	60.2
Alleghany Highlands	52.0	8.2	60.2
Orange	52.0	8.2	60.2
Manassas City	52.0	8.2	60.2
Washington	52.0	8.2	60.2
Loudoun	52.0	8.2	60.2
Fairfax City	52.0	8.2	60.2
Fairfax County	52.0	8.2	60.2
Russell	52.0	8.3	60.3
Isle of Wight	52.0	8.3	60.3
Danville	52.0	8.3	60.3

APPENDIX A (Continued)

TOTAL REQUIRED SOQ INSTRUCTIONAL POSITIONS PER 1,000 ADM*
WITH 51 AND 57 FLOORS

Locality	Positions Per 1,000 Adjusted ADM (Basic, Gifted and Talented)	Positions Per 1,000 Unadjusted ADM (Special and Vocational Education Add-ons, Special Education Aides, Remedial Education)	Total**
Henry	52.0	8.3	60.3
Gloucester	52.0	8.3	60.3
Colonial Heights	52.0	8.4	60.4
Page	52.0	8.4	60.4
Colonial Beach	52.0	8.4	60.4
Chesapeake City	52.0	8.4	60.4
Salem	52.0	8.4	60.4
Bedford County	52.0	8.4	60.4
Bedford City	52.0	8.4	60.4
Cumberland	52.0	8.4	60.4
King George	52.0	8.5	60.5
Patrick	52.0	8.5	60.5
Franklin City	52.0	8.5	60.5
Hopewell	52.0	8.5	60.5
Stafford	52.0	8.6	60.6
Smyth	52.0	8.6	60.6
Hampton	52.0	8.6	60.6
Pulaski	52.0	8.6	60.6
Newport News	52.0	8.6	60.6
Halifax	52.0	8.6	60.6
South Boston	52.0	8.6	60.6
Buchanan	52.0	8.7	60.7
Wise	52.0	8.7	60.7
Harrisonburg	52.0	8.7	60.7
Martinsville	52.0	8.7	60.7
Portsmouth	52.0	8.8	60.8
Surry	52.0	8.8	60.8
Warren	52.0	8.8	60.8
Powhatan	52.0	8.8	60.8
Botetourt	52.0	8.8	60.8
Winchester	52.0	8.9	60.9
Northampton	52.0	8.9	60.9
Suffolk	52.0	9.0	61.0
Caroline	52.0	9.1	61.1
Petersburg	52.0	9.1	61.1
Appomattox	52.0	9.1	61.1
Westmoreland	52.0	9.2	61.2
James City	52.0	9.2	61.2
Williamsburg	52.0	9.2	61.2
Pittsylvania	52.0	9.2	61.2

APPENDIX A (Continued)

TOTAL REQUIRED SOQ INSTRUCTIONAL POSITIONS PER 1,000 ADM*
WITH 51 AND 57 FLOORS

Locality	Positions Per 1,000 Adjusted ADM (Basic, Gifted and Talented)	Positions Per 1,000 Unadjusted ADM (Special and Vocational Education Add-ons, Special Education Aides, Remedial Education)	Total**
Montgomery	52.0	9.2	61.2
Buena Vista	52.0	9.3	61.3
Northumberland	52.0	9.4	61.4
Lynchburg	52.0	9.6	61.6
Shenandoah	52.0	9.6	61.6
Clarke	52.0	9.7	61.7
Amherst	52.0	9.8	61.8
Buckingham	52.0	9.8	61.8
Richmond City	52.0	9.9	61.9
Nelson	52.0	10.0	62.0
Rockbridge	52.0	10.0	62.0
Lexington	52.0	10.0	62.0
Mecklenburg	52.0	10.2	62.2
Giles	52.0	10.4	62.4
Culpeper	52.0	10.4	62.4
Augusta	52.0	10.7	62.7
Sussex	52.0	10.7	62.7
King William	52.0	10.7	62.7
Norfolk	52.0	10.8	62.8
Middlesex	52.0	10.9	62.9
Greensville	52.0	10.9	62.9
Emporia	52.0	11.0	63.0
New Kent	52.0	11.0	63.0
Albemarle	52.0	11.0	63.0
Charlottesville	52.0	11.2	63.2
Fredericksburg	52.0	11.2	63.2
Radford	52.0	11.3	63.3
Bristol	52.0	11.4	63.4
Arlington	52.0	11.5	63.5
Brunswick	52.0	11.5	63.5
Amelia	52.0	11.7	63.7
Louisa	52.0	11.8	63.8
Falls Church	52.0	11.8	63.8
Dinwiddie	52.0	12.0	64.0
Alexandria	52.0	12.1	64.1
Accomac	52.0	12.1	64.1
Roanoke City	52.0	12.2	64.2
Wythe	52.0	12.4	64.4
Mathews	52.0	12.5	64.5
Craig	52.0	12.7	64.7
West Point	52.0	12.7	64.7

APPENDIX A (Continued)

TOTAL REQUIRED SOQ INSTRUCTIONAL POSITIONS PER 1,000 ADM* WITH 51 AND 57 FLOORS

Locality	Positions Per 1,000 Adjusted ADM (Basic, Gifted and Talented)	Positions Per 1,000 Unadjusted ADM (Special and Vocational Education Add-ons, Special Education Aides, Remedial Education)	Total**
Lee	52.0	12.7	64.7
Covington	52.0	12.8	64.8
Southampton	52.0	13.4	65.4
Scott	52.0	13.4	65.4
King and Queen	52.0	14.6	66.6
Floyd	52.0	14.9	66.9
Goochland	52.0	15.2	67.2
Charles City	52.0	15.6	67.6
Fries	55.7	12.1	67.7
Galax	55.7	12.1	67.7
Grayson	55.7	12.1	67.7
Essex	52.0	15.8	67.8
Greene	52.0	16.0	68.0
Rappahannock	52.0	17.6	69.6
Carroll	56.0	13.7	69.7
Manassas Park	52.0	17.9	69.9
Bath	52.0	21.2	73.2
Bland	62.9	19.5	82.4
Highland	57.2	40.5	97.8
Cape Charles	106.9	23.4	130.3

*Instructional positions does not include instructional supervisors and visiting teachers, which are treated in the support component. Results based on application of SOQ, including proposed standards, to 1986-87 fall membership report data.

**Because adjusted and unadjusted ADM differ, and because the data shown here are rounded to the nearest tenth, these totals are approximate and are provided only for illustrative purposes.

APPENDIX B

CLUSTERS USED IN ANALYSIS OF
"REGULAR" PUPIL TRANSPORTATION DATA

LARGE LAND AREAS

Low Number of Pupils

Clarke
Amelia
Richmond County
Lancaster
Middlesex
Surry
King & Queen
Northumberland
Essex
New Kent
Greene
Mathews
Madison
Westmoreland
Charles City
Goochland
Rappahannock
King William
Sussex
Bath
Fluvanna
Buckingham
Craig
Bland
Powhatan
Cumberland
Floyd
Nelson
Highland

Medium Number of Pupils

Warren
Giles
Botetourt
Northampton
Culpeper
Amherst
Dickenson
Grayson
Isle of Wight
King George
Accomack
Brunswick
Wythe
Nottoway
Appomattox
Louisa
Lee
Carroll
Prince Edward
Lunenburg
Patrick
Orange
Dinwiddie
Southampton
Page
Gloucester
Alleghany Highlands
Shenandoah
Scott
Greensville
Williamsburg
Rockbridge
Charlotte
Prince George
Caroline

High Number of Pupils

Campbell
Smyth
Montgomery
Roanoke County
Augusta
Henry
Russell
Rockingham
Hanover
Buchanan
Prince William
Virginia Beach
Chesapeake
Spotsylvania
Washington
Stafford
York
Suffolk
Fairfax County
Bedford County
Mecklenburg
Halifax
Henrico
Chesterfield
Tazewell
Wise
Pulaski
Franklin County
Frederick
Pittsylvania
Loudoun
Fauquier
Albemarle

APPENDIX B

CLUSTERS USED IN ANALYSIS OF "REGULAR" PUPIL TRANSPORTATION DATA

SMALL LAND AREAS

Low Number of Pupils

Buena Vista
Manassas Park
Franklin City
West Point
Covington
Norton
Fredericksburg
Winchester
Galax
Harrisonburg
Colonial Beach
Danville
Falls Church

Medium and High Number of Pupils

Poquoson
Martinsville
Hampton
Petersburg
Charlottesville
Richmond City
Manassas
Lynchburg
Newport News
Hopewell
Norfolk
Salem
Portsmouth
Roanoke City
Arlington
Alexandria

APPENDIX C

ILLUSTRATIVE OPTIONS

Summary of Option 1

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- COMPOSITE INDEX: POPULATION WEIGHTED 1/3, ADM 2/3
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 50 PERCENT
- CAP ON LOCAL SHARES AT 80 PERCENT
- NO INCOME ADJUSTMENT IN LOCAL SHARE CALCULATION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 1 - REVISED COST METHOD, COMPOSITE INDEX, NO CHANGE IN STATE SHARE

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Prev. Biennium
Total State Funds	3,924,880,432.22	227,086,678.22	379,715,767.22
State General Fund	3,027,897,436.22	186,195,682.22	299,522,104.22
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS	
Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES
FRINGE BENEFIT COSTS	
Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %
SUPPORT COSTS	
Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SDH Nursing
DISTRIBUTION	
Method of Equalization	Composite Index
Proxy for Other Revenues	AGI
Standardization of Index	Population = 33.3 % ADM = 66.7 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Year Two
Basic Aid	YES	50.00 %	50.00 %
Vocational Education	YES	50.00 %	50.00 %
Gifted and Talented	YES	50.00 %	50.00 %
Remedial Education	YES	50.00 %	50.00 %
Special Education	YES	50.00 %	50.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	50.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	NO	100.00 %	100.00 %
Non-Instructional Fringe	NO	100.00 %	100.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	985,131,231.96	1,046,799,535.87	2,031,930,767.83
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,910,323.37	30,724,999.80	58,635,323.17
Special Education	36,533,926.00	63,183,826.50	69,827,175.11	133,011,001.61
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,421,693.24	14,322,421.02	27,744,114.26
Remedial Education	20,230,881.00	22,818,985.01	24,350,595.89	47,169,580.90
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	177,443,891.11	342,939,913.65
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	128,181,845.29	245,544,935.87
Support Fringe Categorical	21,559,359.00	21,538,074.00	21,538,074.00	43,076,148.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,825,669.56	9,326,411.25
Pupil Transportation	33,030,415.00	17,342,236.70	17,342,236.70	34,684,473.39
Driver's Education Fund (HM&CF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,896,291,431.27	2,028,589,000.95	3,924,880,432.22
LOCAL PORTION				
Basic Aid		934,014,564.44	994,509,235.08	1,928,523,799.52
Vocational Education		23,601,395.34	26,236,347.15	49,837,742.49
Special Education		63,598,101.72	70,359,053.39	133,957,155.11
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		12,814,281.69	13,717,093.07	26,531,374.76
Remedial Education		13,374,525.48	14,388,493.29	27,763,018.78
Employee Retirement		0.00	0.00	0.00
Social Security		0.00	0.00	0.00
Group Life Insurance		0.00	0.00	0.00
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,620,319.30	15,620,319.30	31,240,638.61
Support Fringe Categorical		0.00	0.00	0.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,106,688,517.21	1,181,819,947.73	2,288,508,464.94
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 1 - REVISED COST METHOD, COMPOSITE INDEX, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	36.79	9,950,024.66	16,378,395.87	7,518,921.83	3,995,463.70	32.56
ALBEMARLE	59,710,184.39	63.22	28,656,427.12	15,961,307.93	15,092,449.34	534,657.27	33.08
AMELIA	9,933,940.86	40.22	3,023,865.66	4,243,858.74	2,666,216.46	517,127.20	31.46
AMHERST	28,297,511.56	34.14	7,528,566.67	13,703,328.70	7,065,616.19	958,078.89	28.71
APPOMATTOX	14,505,636.09	33.54	3,769,547.40	7,134,787.70	3,601,300.99	497,822.68	30.78
ARLINGTON	95,490,471.38	80.00	54,824,974.24	13,418,686.94	27,246,810.19	2,285,577.14	16.55
AUGUSTA	59,289,091.89	37.22	17,447,213.98	27,891,367.10	13,950,510.81	1,099,637.91	28.23
BATH	6,206,973.78	80.00	3,776,228.20	930,367.24	1,500,378.34	98,481.58	27.23
BLAND	8,267,846.50	25.78	1,718,064.41	4,705,517.36	1,844,264.74	1,489,944.10	34.96
BOTETOURT	26,021,255.96	39.41	7,891,788.09	11,641,005.68	6,488,462.18	606,185.86	29.48
BRUNSWICK	16,920,417.94	31.71	4,121,777.36	8,322,848.87	4,475,791.71	857,656.58	29.45
BUCHANAN	42,942,837.26	29.76	9,722,346.64	21,740,308.19	11,480,182.42	1,100,650.61	28.06
BUCKINGHAM	12,982,324.94	34.79	3,465,139.47	6,175,810.02	3,341,375.46	709,415.47	29.24
CAMPBELL	50,748,401.48	34.12	13,190,044.62	24,218,983.97	13,339,372.89	97,576.86	28.47
CAROLINE	21,070,447.68	36.47	5,849,246.38	9,674,094.20	5,547,107.10	379,051.30	29.39
CARROLL	29,356,415.62	28.37	6,509,595.97	15,484,880.25	7,361,939.40	2,944,591.65	29.92
CHARLES CITY	7,365,660.02	39.48	2,299,604.80	3,341,770.85	1,724,284.37	94,307.21	31.49
CHARLOTTE	13,419,377.03	29.10	2,993,928.34	6,847,476.55	3,577,972.14	399,312.69	27.98
CHESTERFIELD	261,955,790.78	46.38	94,941,401.45	105,809,242.41	61,205,146.92	11,842,629.33	41.01
CLARKE	10,715,049.65	57.64	4,639,820.50	3,240,915.82	2,834,313.33	427,057.14	32.20
CRAIG	4,455,582.35	35.18	1,208,292.76	2,135,645.39	1,111,644.19	275,615.58	27.88
CULPEPER	29,425,992.29	48.52	11,229,026.82	11,542,427.04	6,654,538.43	1,570,575.47	36.31
CUMBERLAND	8,289,467.13	33.61	2,097,213.35	3,947,248.09	2,245,005.69	553,455.78	28.21
DICKENSON	22,841,278.94	30.45	5,316,018.68	11,527,017.17	5,998,243.09	219,216.26	28.46
DINWIDDIE	23,212,679.66	34.08	5,924,238.47	10,967,345.76	6,321,095.44	427,691.19	29.45
ESSEX	10,375,929.99	51.17	4,067,263.82	3,772,911.61	2,535,754.56	661,066.17	34.88
FAUQUIER	50,464,462.95	68.09	26,250,432.59	12,008,900.70	12,205,129.67	-672,889.64	36.60
FLOYD	12,550,902.53	35.96	3,471,486.92	5,927,504.17	3,151,911.44	636,521.61	29.51
FLUVANNA	12,714,955.66	45.39	4,514,025.83	5,224,786.72	2,976,143.11	273,723.83	33.53
FRANKLIN	38,776,537.61	38.96	11,784,299.57	17,693,159.96	9,299,078.07	837,658.03	30.34
FREDERICK	47,733,464.68	43.83	16,241,624.64	19,425,233.68	12,066,606.35	2,831,220.04	35.26
GILES	17,720,131.85	34.86	4,699,373.43	8,397,950.22	4,622,808.20	536,690.42	27.88
GLOUCESTER	35,944,950.09	47.35	13,352,151.29	14,264,373.84	8,328,424.96	2,180,858.80	39.96
GOOCHLAND	11,908,133.06	65.47	5,967,941.33	3,059,961.27	2,880,230.46	-79,794.27	32.29
GRAYSON	17,423,957.43	28.60	3,902,986.60	9,191,567.77	4,329,403.06	2,598,866.83	29.69
GREENE	11,868,864.19	37.68	3,412,964.06	5,369,429.74	3,086,470.39	1,151,958.14	36.44
HALIFAX	33,086,111.50	27.06	6,853,127.93	17,392,935.24	8,840,048.33	362,683.56	26.88
HANOVER	64,063,405.64	51.65	25,166,918.10	22,731,017.49	16,165,470.04	2,254,007.54	33.07
HENRICO	193,852,277.01	57.22	83,352,644.03	60,231,057.71	50,268,575.28	5,185,272.98	30.83
HENRY	55,728,327.26	35.26	14,888,232.32	25,868,972.06	14,971,122.88	141,854.93	26.33
HIGHLAND	3,426,547.59	62.26	1,679,795.27	1,012,849.49	733,902.83	698,448.12	40.75
ISLE OF WIGHT	25,310,399.84	48.16	9,227,092.67	9,529,018.71	6,554,288.46	752,349.17	32.37
KING GEORGE	15,239,664.29	39.22	4,665,861.72	6,945,527.70	3,628,274.86	935,064.56	34.43
KING & QUEEN	6,148,195.98	44.66	2,054,264.61	2,464,510.83	1,629,420.54	483,359.37	28.93
KING WILLIAM	9,316,441.27	43.87	3,230,278.94	3,996,682.62	2,089,479.71	747,270.33	26.22
LANCASTER	10,118,887.57	64.87	5,124,318.49	2,711,467.82	2,283,101.26	169,893.08	31.07
LEE	30,864,960.25	21.00	4,989,585.86	17,441,393.69	8,433,980.70	1,601,154.39	28.43
LOUDOUN	93,867,926.25	70.53	51,105,331.06	20,790,455.19	21,972,140.00	1,312,995.19	41.17
LOUISA	22,667,238.18	80.00	13,564,380.69	3,314,302.83	5,788,554.66	246,655.49	31.18
LUNENBURG	14,141,506.60	28.83	3,264,781.88	7,592,511.00	3,284,213.72	1,727,216.72	32.17
MADISON	11,373,705.49	46.50	4,020,416.31	4,473,396.75	2,879,892.43	636,385.18	31.32
MATHEWS	8,238,222.76	56.64	3,565,433.51	2,620,138.79	2,052,650.47	243,185.26	30.93
MECKLENBURG	32,460,663.26	37.01	9,323,673.54	15,204,088.72	7,932,900.99	1,174,749.72	31.58
MIDDLESEX	7,555,742.38	63.79	3,687,140.15	2,033,268.23	1,835,334.00	205,632.23	29.97
MONTGOMERY	53,561,286.43	40.77	16,580,598.23	23,134,116.38	13,846,571.82	1,682,148.20	29.29
NELSON	13,408,309.81	50.93	5,253,490.25	4,861,628.97	3,293,190.59	282,431.56	31.58
NEW KENT	12,231,052.09	45.95	4,236,558.88	4,764,706.23	3,229,786.99	1,017,037.21	34.82
NORTHAMPTON	17,122,929.23	29.77	3,892,797.69	8,739,344.36	4,490,787.18	2,742,413.54	31.97
NORTHUMBERLAND	8,770,408.56	61.64	4,130,333.90	2,509,652.01	2,130,422.65	530,470.66	28.95
NOTTOWAY	14,934,770.60	32.24	3,687,174.23	7,340,442.50	3,907,153.87	663,774.37	28.62
ORANGE	23,125,011.14	47.19	8,426,879.67	9,119,451.85	5,578,679.62	530,097.47	33.93
PAGE	21,090,567.23	35.43	5,824,935.28	9,904,659.75	5,360,972.19	1,360,899.94	29.77
PATRICK	17,359,664.72	33.08	4,414,945.74	8,517,159.16	4,427,559.82	207,132.98	26.91
PITTSYLVANIA	62,805,996.16	29.53	13,883,712.21	31,303,472.03	17,618,811.92	-2,515,956.04	24.72
POWHATAN	13,941,502.40	41.76	4,525,914.98	6,072,845.56	3,342,741.86	1,044,491.42	31.71
PRINCE EDWARD	15,082,344.32	35.21	4,009,003.79	6,965,656.29	4,107,684.24	1,503,286.53	28.97
PRINCE GEORGE	29,875,058.37	26.17	6,049,480.60	16,068,414.09	7,757,163.68	1,218,857.77	30.32
PRINCE WILLIAM	268,309,067.22	44.28	91,465,835.68	111,143,762.48	65,699,469.05	26,798,831.53	40.83
PULASKI	36,139,856.80	33.14	9,101,364.78	17,483,809.80	9,554,682.22	-465,327.97	27.56
RAPPAHANNOCK	6,690,324.05	64.43	3,365,295.25	1,800,194.61	1,524,834.20	469,210.80	34.89
RICHMOND	8,004,450.23	46.36	2,917,935.04	3,268,141.30	1,818,373.89	186,975.19	31.99

OPTION 1 - REVISED COST METHOD, COMPOSITE INDEX, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	44.63	27,132,186.21	32,338,530.31	21,292,911.03	-387,218.66	29.73
ROCKBRIDGE	17,085,050.80	41.99	5,514,038.52	7,346,500.91	4,224,511.37	699,942.28	28.48
ROCKINGHAM	56,957,963.17	40.30	17,525,340.58	24,616,626.39	14,815,996.20	2,221,422.59	29.74
RUSSELL	33,980,923.57	28.38	7,563,330.26	18,069,075.35	8,348,517.95	231,493.31	28.22
SCOTT	28,284,224.83	24.13	5,410,420.44	16,005,714.53	6,868,089.86	2,110,364.39	29.98
SHENANDOAH	29,518,396.46	47.08	10,625,125.36	11,459,555.32	7,433,715.78	690,361.10	30.47
SMYTH	36,324,707.78	26.88	7,490,394.27	18,858,779.92	9,975,533.60	1,006,913.51	28.49
SOUTHAMPTON	15,662,344.52	44.12	5,033,125.55	6,135,676.18	4,493,542.79	714,670.97	26.32
SPOTTSYLVANIA	67,759,568.44	43.32	23,024,658.78	28,972,859.27	15,762,050.39	4,743,509.66	42.89
STAFFORD	71,584,266.10	36.83	20,684,845.60	33,865,997.60	17,033,422.90	6,035,240.50	38.60
SURRY	7,755,485.86	80.00	4,877,219.78	1,198,194.18	1,680,071.90	54,632.08	23.63
SUSSEX	10,255,442.55	41.78	3,064,032.09	4,110,914.22	3,080,496.25	57,056.47	26.40
TAZEWELL	56,100,323.28	29.42	12,851,182.21	29,213,027.76	14,036,113.32	931,381.08	28.77
WARREN	25,418,167.23	45.36	8,672,359.93	10,034,040.09	6,711,767.20	1,244,523.30	32.37
WASHINGTON	47,587,929.49	33.68	12,221,907.80	22,755,197.44	12,610,824.25	598,241.69	28.34
WESTMORELAND	11,562,036.36	44.62	3,956,996.57	4,747,531.02	2,857,508.77	331,605.79	23.31
WISE	53,882,757.63	28.19	11,727,626.87	28,219,104.74	13,936,026.02	917,470.76	29.38
WYTHE	29,328,401.08	32.45	7,330,731.00	14,287,570.33	7,710,099.75	1,653,310.08	31.06
YORK	56,427,014.87	41.92	18,607,806.81	24,497,700.83	13,321,507.22	3,473,508.05	38.03
Cities:							
ALEXANDRIA	63,182,882.86	80.00	34,734,751.72	8,242,554.79	20,205,576.35	4,211.14	15.48
BRISTOL	17,812,543.21	55.62	7,211,366.33	5,576,623.13	5,024,553.75	-1,430,569.12	31.23
BUENA VISTA	7,305,066.32	26.73	1,517,978.73	3,918,292.34	1,868,795.24	149,625.58	28.70
CHARLOTTESVILLE	27,938,828.14	62.24	12,637,954.20	7,326,683.29	7,974,190.65	-862,510.06	26.61
CHESAPEAKE	172,236,596.87	40.01	53,764,751.69	77,282,810.83	41,189,034.35	9,037,645.18	36.07
COLONIAL HEIGHTS	16,530,475.91	43.68	5,484,991.17	6,728,172.70	4,317,312.04	511,594.74	28.58
COVINGTON	6,464,299.55	39.86	1,924,692.64	2,791,557.08	1,748,049.83	195,000.91	23.96
DANVILLE	50,101,096.21	37.96	14,701,737.08	22,776,512.32	12,622,846.80	6,621,279.13	33.32
FALLS CHURCH	8,150,714.29	80.00	4,847,922.86	1,170,276.01	2,132,515.43	289,963.43	15.80
FRANKLIN	11,174,615.94	32.26	2,954,844.27	5,743,187.92	2,476,583.76	289,771.67	39.24
FREDERICKSBURG	13,819,720.57	64.67	6,531,910.49	3,477,838.90	3,809,971.18	616,752.08	27.36
GALAX	7,022,033.14	47.06	2,580,824.16	2,790,748.53	1,650,460.45	709,944.98	31.06
HAMPTON	125,104,771.43	40.55	38,449,564.19	53,620,311.91	33,034,895.32	5,254,427.24	29.99
HARRISONBURG	17,832,835.28	62.91	8,547,874.19	4,873,144.35	4,411,816.74	631,485.09	28.25
HOPEWELL	23,314,835.77	34.96	6,217,093.33	11,035,498.77	6,062,243.67	244,882.44	27.70
LEXINGTON	4,448,210.72	45.88	1,586,245.63	1,806,086.02	1,055,879.07	442,087.09	27.68
LYNCHBURG	57,347,616.49	47.39	20,214,461.89	21,304,165.01	15,828,989.58	1,505,494.59	27.29
MANASSAS	30,854,381.57	65.46	16,076,072.72	8,289,894.43	6,488,414.42	1,919,736.85	47.43
MANASSAS PARK	9,973,326.97	26.38	2,055,843.96	5,455,853.05	2,461,629.96	1,829,561.01	36.37
MARTINSVILLE	17,655,637.94	47.98	6,477,806.31	6,790,488.51	4,387,343.11	-421,498.37	29.15
NEWPORT NEWS	171,419,719.82	39.75	51,497,982.07	74,211,618.40	45,710,119.35	11,558,317.76	32.44
NORFOLK	216,109,996.74	39.64	63,149,820.69	91,225,181.16	61,734,994.89	10,827,416.05	26.57
NORTON	5,521,572.97	35.28	1,440,835.16	2,518,906.50	1,561,831.31	224,093.81	29.83
PETERSBURG	36,425,675.66	36.37	9,945,906.40	16,505,042.92	9,974,726.34	1,483,949.26	27.50
POQUOSON	15,590,475.69	38.84	4,816,846.71	7,092,056.63	3,681,572.35	701,546.99	39.67
PORTSMOUTH	115,262,595.46	32.11	29,301,949.03	58,720,666.37	27,239,980.06	7,014,066.43	31.38
RADFORD	9,175,684.64	39.51	2,740,626.31	4,027,343.65	2,407,714.69	176,084.34	24.57
RICHMOND	167,588,325.31	59.76	69,610,876.25	44,660,008.10	53,317,440.96	-1,121,530.94	26.25
ROANOKE	78,361,596.95	47.25	24,987,872.39	26,608,884.75	26,764,839.81	-483,195.44	21.91
SALEM	20,329,058.34	50.95	7,782,528.53	7,254,868.24	5,291,661.57	494,365.81	26.29
SOUTH BOSTON	8,363,208.38	32.96	2,174,405.94	4,218,635.31	1,970,167.13	983,728.43	33.14
STAUNTON	20,296,697.05	47.84	6,609,456.05	6,854,898.49	6,832,342.52	2,704,085.01	29.03
SUFFOLK	55,999,913.34	38.38	16,148,407.15	24,549,814.30	15,301,691.89	2,722,446.19	31.37
VIRGINIA BEACH	406,915,744.87	46.12	143,402,670.80	160,944,543.45	102,568,530.62	26,063,874.06	36.11
WAYNESBORO	16,349,576.94	58.37	7,118,876.65	4,933,203.58	4,297,496.72	-792,957.70	36.06
WINCHESTER	19,966,471.02	58.48	8,828,083.96	5,815,736.74	5,322,650.32	623,381.06	31.71
Towns:							
COLONIAL BEACH	3,423,500.36	40.61	1,117,262.43	1,573,574.69	732,663.24	382,961.93	32.48
WEST POINT	4,306,580.12	37.90	1,332,061.88	2,090,837.68	883,680.56	101,916.24	37.27
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	31.15	4,788,220.67	9,688,326.21	4,957,043.76	-358,754.03	27.43
BEDFORD COUNTY-CITY	48,402,229.70	42.84	15,735,328.84	20,342,418.09	12,324,482.76	2,394,184.85	30.91
FAIRFAX COUNTY-CITY	866,721,359.61	73.48	478,632,614.85	166,456,186.22	221,632,558.55	14,434,478.76	36.74
GREENSVILLE/EMPORIA	18,156,203.14	29.35	4,817,101.18	8,810,646.84	4,528,455.12	971,631.96	28.52
JAMES CITY/WILLIAMSBURG	40,092,909.59	64.39	19,408,235.38	9,622,307.85	11,062,366.36	704,512.20	39.59

Summary of Option 2

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- COMPOSITE INDEX: POPULATION WEIGHTED 1/3, ADM 2/3
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 52 PERCENT IN FY 1990
- INSTRUCTIONAL FRINGE BENEFITS EQUALIZED WITH STATE SHARE OF 90 PERCENT IN FY 1990
- CAP ON LOCAL SHARES AT 80 PERCENT
- NO INCOME ADJUSTMENT IN LOCAL SHARE CALCULATION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 2 - REVISED COST METHOD, COMPOSITE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over Base Budget	Increase in Funding Over Prev. Biennium
Total State Funds	3,931,224,093.77	233,430,339.77	386,059,428.77
State General Fund	3,034,241,097.77	192,539,343.77	305,865,765.77
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS	
Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES
FRINGE BENEFIT COSTS	
Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %
SUPPORT COSTS	
Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SOH Nursing
DISTRIBUTION	
Method of Equalization	Composite Index
Proxy for Other Revenues	AGI
Standardization of Index	Population = 33.3 % ADM = 66.7 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Year Two
Basic Aid	YES	50.00 %	52.00 %
Vocational Education	YES	50.00 %	52.00 %
Gifted and Talented	YES	50.00 %	52.00 %
Remedial Education	YES	50.00 %	52.00 %
Special Education	YES	50.00 %	52.00 %
Special Ed Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	52.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	YES	100.00 %	90.00 %
Non-Instructional Fringe	YES	100.00 %	90.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	985,131,231.96	1,084,400,081.81	2,069,531,313.78
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,910,323.37	31,710,895.51	59,621,218.88
Special Education	36,533,926.00	63,183,826.50	72,407,617.21	135,591,443.71
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,421,693.24	14,838,827.79	28,260,521.02
Remedial Education	20,230,881.00	22,818,985.01	22,369,607.33	45,188,592.34
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	159,455,601.26	324,951,623.80
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	115,187,471.85	232,550,562.43
Support Fringe Categorical	21,559,359.00	21,538,074.00	19,060,078.23	40,598,152.23
Group Life Insurance	4,105,431.00	4,500,741.69	4,336,469.61	8,837,211.30
Pupil Transportation	33,030,415.00	17,342,236.70	17,933,455.29	35,275,691.99
Driver's Education Fund (HMSCF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,896,291,431.27	2,034,932,662.49	3,931,224,093.77
LOCAL PORTION				
Basic Aid		934,014,564.44	956,908,689.13	1,890,923,253.58
Vocational Education		23,601,395.34	25,250,451.44	48,851,846.78
Special Education		63,598,101.72	67,778,611.29	131,376,713.01
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		12,814,281.69	13,200,686.30	26,014,968.00
Remedial Education		13,374,525.48	16,369,481.85	29,744,007.34
Employee Retirement		0.00	17,988,289.85	17,988,289.85
Social Security		0.00	12,994,373.44	12,994,373.44
Group Life Insurance		0.00	489,199.95	489,199.95
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,620,319.30	15,029,100.71	30,649,420.01
Support Fringe Categorical		0.00	2,477,995.77	2,477,995.77
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,106,688,517.21	1,175,476,286.19	2,282,164,803.40
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 2 - REVISED COST METHOD, COMPOSITE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	35.32	9,906,827.28	18,194,210.89	5,746,304.19	4,038,661.08	32.42
ALBEMARLE	59,710,184.39	60.69	28,514,278.95	19,261,965.80	11,933,939.64	676,805.44	32.91
AMELIA	9,933,940.86	38.61	3,010,736.47	4,760,897.55	2,162,306.84	530,256.39	31.32
AMHERST	28,297,511.56	32.77	7,494,576.75	15,201,940.48	5,600,994.33	992,068.81	28.58
APPOMATTOX	14,505,636.09	32.19	3,751,484.50	7,912,816.09	2,841,335.50	515,885.59	30.64
ARLINGTON	95,490,471.38	80.00	56,463,906.70	17,629,459.47	21,397,105.21	646,644.68	17.04
AUGUSTA	59,289,091.89	35.73	17,355,352.18	31,027,652.83	10,906,086.88	1,191,499.71	28.08
BATH	6,206,973.78	80.00	3,853,381.14	1,202,390.30	1,151,202.34	21,328.64	27.79
BLAND	8,267,846.50	24.75	1,709,628.15	5,163,011.30	1,395,207.05	1,498,380.35	34.79
BOTETOURT	26,021,255.96	37.83	7,852,279.78	13,026,644.53	5,142,331.65	645,694.18	29.33
BRUNSWICK	16,920,417.94	30.44	4,104,144.58	9,207,983.80	3,608,289.57	875,289.37	29.33
BUCHANAN	42,942,837.26	28.57	9,684,401.60	23,938,541.28	9,319,894.37	1,138,595.65	27.95
BUCKINGHAM	12,982,324.94	33.40	3,448,446.16	6,818,857.29	2,715,021.49	726,108.78	29.10
CAMPBELL	50,748,401.48	32.76	13,131,149.67	26,924,249.84	10,693,001.97	156,471.81	28.34
CAROLINE	21,070,447.68	35.01	5,823,154.71	10,742,915.17	4,504,377.80	405,142.97	29.26
CARROLL	29,356,415.62	27.24	6,482,915.63	17,067,881.02	5,805,618.97	2,971,271.99	29.80
CHARLES CITY	7,365,660.02	37.90	2,289,331.78	3,726,543.76	1,349,784.47	104,580.24	31.35
CHARLOTTE	13,419,377.03	27.93	2,980,967.65	7,527,718.14	2,910,691.24	412,273.38	27.86
CHESTERFIELD	261,955,790.78	44.52	94,372,973.20	120,366,665.22	47,216,152.36	12,411,057.58	40.77
CLARKE	10,715,049.65	55.33	4,617,030.54	3,813,094.02	2,284,925.09	449,847.11	32.04
CRAIG	4,455,582.35	33.78	1,202,125.27	2,367,640.11	885,816.97	281,783.08	27.74
CULPEPER	29,425,992.29	46.58	11,167,685.39	13,173,895.22	5,084,411.68	1,631,916.90	36.11
CUMBERLAND	8,289,467.13	32.27	2,088,915.46	4,365,313.13	1,835,238.54	561,753.67	28.10
DICKENSON	22,841,278.94	29.24	5,291,931.42	12,704,629.54	4,844,717.98	243,303.52	28.33
DINWIDDIE	23,212,679.66	32.72	5,896,464.79	12,136,075.87	5,180,139.00	455,464.87	29.31
ESSEX	10,375,929.99	49.13	4,048,489.97	4,348,109.14	1,979,330.88	679,840.02	34.72
FAUQUIER	50,464,462.95	65.37	26,117,837.98	14,846,034.43	9,500,590.55	-540,295.03	36.42
FLOYD	12,550,902.53	34.52	3,456,943.58	6,596,552.55	-2,497,406.40	651,064.95	29.38
FLUVANNA	12,714,955.66	43.58	4,489,722.32	5,894,611.37	2,330,621.96	298,027.33	33.35
FRANKLIN	38,776,537.61	37.40	11,722,779.57	19,792,423.21	7,261,334.83	899,178.04	30.18
FREDERICK	47,733,464.68	42.07	16,160,739.05	22,003,903.24	9,568,822.39	2,912,105.63	35.09
GILES	17,720,131.85	33.47	4,682,226.46	9,348,619.65	3,689,285.74	553,837.38	27.78
GLOUCESTER	35,944,950.09	45.46	13,281,199.91	16,237,216.47	6,426,533.71	2,251,810.18	39.75
GOOCHLAND	11,908,133.06	62.85	5,938,814.66	3,710,469.19	2,258,849.21	-50,667.60	32.14
GRAYSON	17,423,957.43	27.46	3,885,951.29	10,142,685.48	3,395,320.66	2,615,902.14	29.56
GREENE	11,868,864.19	36.18	3,396,989.44	6,017,200.43	2,454,674.33	1,167,932.75	36.27
HALIFAX	33,086,111.50	25.98	6,826,091.45	19,142,791.17	7,117,228.88	389,720.05	26.77
HANOVER	64,063,405.64	49.59	25,037,173.61	26,232,651.34	12,793,580.69	2,383,752.03	32.90
HENRICO	193,852,277.01	54.93	82,960,947.73	70,987,706.65	39,903,622.63	5,576,969.28	30.69
HENRY	55,728,327.26	33.85	14,825,616.63	28,741,968.67	12,160,741.96	204,470.63	26.22
HIGHLAND	3,426,547.59	59.77	1,670,658.24	1,221,788.26	534,101.09	707,585.15	40.53
ISLE OF WIGHT	25,310,399.84	46.23	9,187,959.90	10,878,741.44	5,243,698.49	791,481.93	32.24
KING GEORGE	15,239,664.29	37.65	4,639,849.06	7,752,903.33	2,846,911.89	961,077.22	34.24
KING & QUEEN	6,148,195.98	42.87	2,044,457.71	2,789,395.20	1,314,343.07	493,166.28	28.79
KING WILLIAM	9,316,441.27	42.12	3,213,724.05	4,499,105.69	1,603,611.54	763,825.22	26.09
LANCASTER	10,118,887.57	62.28	5,097,148.27	3,262,204.94	1,759,534.36	197,063.30	30.91
LEE	30,864,960.25	20.16	4,969,680.35	19,018,938.27	6,876,341.63	1,621,059.90	28.32
LOUDOUN	93,867,926.25	67.71	50,833,974.48	26,270,085.18	16,763,866.59	1,584,351.77	40.95
LOUISA	22,667,238.18	80.00	13,824,270.71	4,297,439.61	4,545,527.86	-13,234.53	31.78
LUNENBURG	14,141,506.60	27.68	3,246,477.25	8,308,619.29	2,586,410.06	1,745,521.35	31.99
MADISON	11,373,705.49	44.64	4,002,691.20	5,087,904.14	2,283,110.15	654,110.30	31.18
MATHEWS	8,238,222.76	54.37	3,542,800.55	3,064,408.15	1,631,014.06	265,818.22	30.73
MECKLENBURG	32,460,663.26	35.53	9,283,624.29	16,941,506.52	6,235,532.45	1,214,798.97	31.44
MIDDLESEX	7,555,742.38	61.24	3,668,256.95	2,447,341.39	1,440,144.03	224,515.43	29.82
MONTGOMERY	53,561,286.43	39.14	16,502,947.07	26,050,797.43	11,007,541.93	1,759,799.36	29.15
NELSON	13,408,309.81	48.89	5,226,390.63	5,569,128.97	2,612,790.21	309,531.18	31.42
NEW KENT	12,231,052.09	44.11	4,217,810.46	5,427,743.56	2,585,498.07	1,035,785.63	34.67
NORTHAMPTON	17,122,929.23	28.58	3,880,859.82	9,660,988.31	3,581,081.10	2,754,351.41	31.87
NORTHUMBERLAND	8,770,408.56	59.17	4,111,113.03	2,981,953.74	1,677,341.79	549,691.53	28.82
NOTTOWAY	14,934,770.60	30.95	3,668,913.90	8,102,890.89	3,162,965.81	682,034.70	28.48
ORANGE	23,125,011.14	45.30	8,385,293.99	10,372,618.35	4,367,098.80	571,683.15	33.76
PAGE	21,090,567.23	34.01	5,799,141.12	11,006,837.60	4,284,588.51	1,386,694.10	29.63
PATRICK	17,359,664.72	31.76	4,394,750.44	9,416,364.47	3,548,549.81	227,328.29	26.79
PITTSYLVANIA	62,805,996.16	28.35	13,842,014.75	34,659,096.22	14,304,885.19	-2,474,258.59	24.64
POWHATAN	13,941,502.40	40.09	4,503,423.60	6,806,490.42	2,631,588.38	1,066,982.80	31.55
PRINCE EDWARD	15,082,344.32	33.80	3,992,165.21	7,755,882.72	3,334,296.39	1,520,125.11	28.85
PRINCE GEORGE	29,875,058.37	25.12	6,018,555.11	17,603,192.68	6,253,310.58	1,249,783.26	30.17
PRINCE WILLIAM	268,309,067.22	42.50	91,011,903.29	126,441,614.01	50,855,549.92	27,252,763.93	40.63
PULASKI	36,139,856.80	31.81	9,061,972.09	19,370,643.37	7,707,241.34	-425,935.28	27.44
RAPPAHANNOCK	6,690,324.05	61.85	3,343,564.37	2,169,286.17	1,177,473.52	490,941.68	34.66
RICHMOND	8,004,450.23	44.51	2,901,304.90	3,693,680.20	1,409,465.12	203,605.32	31.81

OPTION 2 - REVISED COST METHOD, COMPOSITE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

D I V I S I O N C O S T - A L L O C A T I O N S U M M A R Y

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	42.84	27,008,560.21	36,846,277.40	16,908,789.94	-263,592.66	29.60
ROCKBRIDGE	17,085,050.80	40.31	5,486,311.59	8,264,197.29	3,334,541.93	727,669.21	28.34
ROCKINGHAM	56,957,963.17	38.69	17,444,125.31	27,671,087.04	11,842,750.82	2,302,637.86	29.61
RUSSELL	33,980,923.57	27.24	7,529,050.10	19,828,780.03	6,623,093.44	265,773.46	28.10
SCOTT	28,284,224.83	23.16	5,384,645.12	17,490,238.62	5,409,341.08	2,136,139.71	29.83
SHENANDOAH	29,518,396.46	45.19	10,572,337.02	13,050,778.62	5,895,280.83	743,149.45	30.32
SMYTH	36,324,707.78	25.81	7,459,132.81	20,664,896.47	8,200,678.51	1,038,174.98	28.37
SOUTHAMPTON	15,662,344.52	42.36	5,016,445.76	6,976,861.88	3,669,036.88	731,350.76	26.24
SPOTTSYLVANIA	67,759,568.44	41.59	22,893,753.53	32,720,671.31	12,145,143.59	4,874,414.91	42.64
STAFFORD	71,584,266.10	35.35	20,576,466.85	37,841,019.30	13,166,779.95	6,143,619.25	38.40
SURRY	7,755,485.86	80.00	4,991,418.40	1,490,953.34	1,273,114.12	-59,566.53	24.19
SUSSEX	10,255,442.55	40.11	3,057,307.97	4,620,030.17	2,578,104.41	63,780.58	26.34
TAZEWELL	56,100,323.28	28.24	12,793,805.74	32,164,323.39	11,142,194.16	988,757.54	28.64
WARREN	25,418,167.23	43.54	8,640,848.94	11,425,063.49	5,352,254.80	1,276,034.29	32.25
WASHINGTON	47,587,929.49	32.33	12,166,163.41	25,258,961.73	10,162,804.35	653,986.08	28.21
WESTMORELAND	11,562,036.36	42.84	3,936,916.29	5,345,465.20	2,279,654.88	351,686.07	23.19
WISE	53,882,757.63	27.06	11,672,387.39	31,039,560.07	11,170,810.17	972,710.24	29.24
WYTHE	29,328,401.08	31.16	7,301,257.45	15,803,197.98	6,223,945.65	1,682,783.63	30.94
YORK	56,427,014.87	40.25	18,505,348.85	27,591,791.14	10,329,874.88	3,575,966.02	37.82
Cities:							
ALEXANDRIA	63,182,882.86	80.00	35,637,238.44	10,809,296.29	16,736,348.13	-898,275.58	15.88
BRISTOL	17,812,543.21	53.40	7,188,337.90	6,571,908.09	4,052,297.23	-1,407,540.69	31.13
BUENA VISTA	7,305,066.32	25.66	1,511,285.09	4,316,048.33	1,477,732.90	156,319.23	28.58
CHARLOTTESVILLE	27,938,828.14	59.75	12,604,091.40	8,965,382.78	6,369,353.96	-828,647.26	26.53
CHESAPEAKE	172,236,596.87	38.41	53,515,676.06	86,777,295.70	31,943,625.11	9,286,720.81	35.90
COLONIAL HEIGHTS	16,530,475.91	41.94	5,462,687.79	7,678,652.97	3,389,135.15	533,898.12	28.47
COVINGTON	6,464,299.55	38.26	1,918,451.54	3,152,942.39	1,392,905.63	201,242.01	23.88
DANVILLE	50,101,096.21	36.44	14,643,992.66	25,542,834.83	9,914,268.72	6,679,023.55	33.18
FALLS CHURCH	8,150,714.29	80.00	5,020,382.23	1,484,498.31	1,645,833.75	117,504.06	16.36
FRANKLIN	11,174,615.94	30.97	2,942,508.85	6,347,699.30	1,884,407.80	302,107.10	39.08
FREDERICKSBURG	13,819,720.57	62.09	6,506,724.85	4,276,827.10	3,036,168.61	641,937.72	27.26
GALAX	7,022,033.14	45.18	2,569,520.20	3,192,073.24	1,260,439.69	721,248.94	30.93
HAMPTON	125,104,771.43	38.93	38,309,210.50	60,638,408.55	26,157,152.39	5,394,780.94	29.88
HARRISONBURG	17,832,835.28	60.40	8,509,058.19	5,908,016.17	3,415,760.92	670,301.09	28.12
HOPEWELL	23,314,835.77	33.56	6,194,810.69	12,381,644.02	4,738,381.06	267,165.08	27.60
LEXINGTON	4,448,210.72	44.04	1,579,287.67	2,060,736.57	808,186.48	449,045.05	27.56
LYNCHBURG	57,347,616.49	45.50	20,137,593.16	24,519,744.83	12,690,278.49	1,582,363.32	27.19
MANASSAS	30,854,381.57	62.84	15,979,793.54	10,111,921.14	4,762,666.89	2,016,016.03	47.15
MANASSAS PARK	9,973,326.97	25.33	2,048,798.70	6,024,405.17	1,900,123.10	1,836,606.27	36.24
MARTINSVILLE	17,655,637.94	46.06	6,448,994.64	7,762,136.74	3,444,506.56	-392,686.70	29.02
NEWPORT NEWS	171,419,719.82	38.16	51,306,261.51	83,833,187.68	36,280,270.63	11,750,038.31	32.32
NORFOLK	216,109,996.74	38.06	62,929,838.51	103,316,477.13	49,863,681.10	11,047,398.23	26.48
NORTON	5,521,572.97	33.87	1,435,237.57	2,814,607.97	1,271,727.42	229,691.40	29.71
PETERSBURG	36,425,675.66	34.92	9,909,321.85	18,437,114.37	8,079,239.44	1,520,533.81	27.40
POQUOSON	15,590,475.69	37.28	4,789,261.53	7,942,177.51	2,859,036.66	729,132.17	39.44
PORTSMOUTH	115,262,595.46	30.83	29,171,749.40	64,951,105.66	21,139,740.40	7,144,266.06	31.24
RADFORD	9,175,684.64	37.93	2,728,838.93	4,545,338.29	1,901,507.42	187,871.71	24.47
RICHMOND	167,588,325.31	57.37	69,452,214.44	53,995,609.63	44,140,501.25	-962,869.12	26.19
ROANOKE	78,361,596.95	45.36	24,942,183.41	30,826,404.96	22,593,008.59	-437,506.46	21.87
SALEM	20,329,058.34	48.91	7,747,159.82	8,394,234.38	4,187,664.14	529,734.52	26.17
SOUTH BOSTON	8,363,208.38	31.64	2,163,095.90	4,656,300.94	1,543,811.54	995,038.48	32.97
STAUNTON	20,296,697.05	45.92	6,581,828.79	7,882,554.88	5,832,313.38	2,731,712.26	28.91
SUFFOLK	55,999,913.34	36.85	16,085,559.51	27,529,170.67	12,385,183.16	2,785,293.83	31.25
VIRGINIA BEACH	406,915,744.87	44.27	142,640,463.40	183,529,766.02	80,745,515.45	26,826,081.46	35.92
WAYNESBORO	16,349,576.94	56.03	7,088,043.68	5,862,608.42	3,398,924.84	-762,124.74	35.90
WINCHESTER	19,966,471.02	56.14	8,791,374.36	6,924,906.77	4,250,189.89	660,090.65	31.57
Towns:							
COLONIAL BEACH	3,423,500.36	38.99	1,110,349.22	1,759,577.37	553,573.78	389,875.15	32.28
WEST POINT	4,306,580.12	36.38	1,324,478.91	2,328,741.21	653,360.00	109,499.21	37.06
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	29.91	4,765,979.09	10,696,474.13	3,971,137.40	-336,512.46	27.31
BEDFORD COUNTY-CITY	48,402,229.70	41.12	15,662,360.18	22,937,333.23	9,802,536.28	2,467,153.51	30.77
FAIRFAX COUNTY-CITY	866,721,359.61	70.54	476,720,155.50	217,526,810.00	172,474,394.11	16,346,938.11	36.58
GREENSVILLE/EMPORIA	18,156,203.14	28.18	4,796,336.34	9,758,549.97	3,601,316.84	992,396.81	28.44
JAMES CITY/WILLIAMSBURG	40,092,909.59	61.81	19,444,674.49	11,694,635.92	8,953,599.17	668,073.09	39.36

Summary of Option 3

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- LOCAL REVENUE INDEX: POPULATION WEIGHTED 1/3, ADM 2/3
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 50 PERCENT
- CAP ON LOCAL SHARES AT 80 PERCENT
- NO INCOME ADJUSTMENT IN LOCAL SHARE CALCULATION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 3 - REVISED COST METHOD, LOCAL REVENUE INDEX, NO CHANGE IN STATE SHARE

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Increase in Funding Over: Prev. Biennium
Total State Funds	3,910,692,657.89	212,898,903.89	365,527,992.89
State General Fund	3,013,709,661.89	172,007,907.89	285,334,329.89
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS

Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES

FRINGE BENEFIT COSTS

Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %

SUPPORT COSTS

Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SOH Nursing

DISTRIBUTION

Method of Equalization	Local Revenue Index w/o Income Adj.
Proxy for Other Revenues	AGI
Standardization of Index	Population = 33.3 % ADM = 66.7 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Nominal State Share: Year Two
Basic Aid	YES	50.00 %	50.00 %
Vocational Education	YES	50.00 %	50.00 %
Gifted and Talented	YES	50.00 %	50.00 %
Remedial Education	YES	50.00 %	50.00 %
Special Education	YES	50.00 %	50.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	50.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	NO	100.00 %	100.00 %
Non-Instructional Fringe	NO	100.00 %	100.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	979,272,701.17	1,040,893,496.82	2,020,166,197.99
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,504,819.23	30,282,503.68	57,787,322.92
Special Education	36,533,926.00	62,988,847.17	69,588,879.01	132,577,726.18
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,348,290.69	14,249,725.19	27,598,015.89
Remedial Education	20,230,881.00	22,531,681.53	24,059,988.89	46,591,670.42
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	177,443,891.11	342,939,913.65
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	128,181,845.29	245,544,935.87
Support Fringe Categorical	21,559,359.00	21,538,074.00	21,538,074.00	43,076,148.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,825,669.56	9,326,411.25
Pupil Transportation	33,030,415.00	17,133,276.72	17,133,276.72	34,266,553.44
Driver's Education Fund (HM&CF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,889,262,751.01	2,021,429,906.88	3,910,692,657.89
LOCAL PORTION				
Basic Aid		939,873,095.24	1,000,415,274.12	1,940,288,369.37
Vocational Education		24,006,899.48	26,678,843.27	50,685,742.75
Special Education		63,793,081.05	70,597,349.49	134,390,430.54
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		12,887,684.24	13,789,788.90	26,677,473.14
Remedial Education		13,661,828.96	14,679,100.29	28,340,929.26
Employee Retirement		0.00	0.00	0.00
Social Security		0.00	0.00	0.00
Group Life Insurance		0.00	0.00	0.00
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,829,279.28	15,829,279.28	31,658,558.56
Support Fringe Categorical		0.00	0.00	0.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,113,717,197.47	1,188,979,041.80	2,302,696,239.28
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 3 - REVISED COST METHOD, LOCAL REVENUE INDEX, NO CHANGE IN STATE SHARE

D I V I S I O N C O S T - A L L O C A T I O N S U M M A R Y

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	39.41	10,629,257.47	15,699,163.06	7,518,921.83	3,316,230.89	34.79
ALBEMARLE	59,710,184.39	62.46	28,326,798.69	16,290,936.36	15,092,449.34	864,285.70	32.70
AMELIA	9,933,940.86	42.52	3,186,992.25	4,080,732.15	2,666,216.46	354,000.61	33.15
AMHERST	28,297,511.56	36.39	7,997,853.33	13,234,042.04	7,065,616.19	488,792.23	30.50
APPOMATTOX	14,505,636.09	36.27	4,062,818.03	6,841,517.07	3,601,300.99	204,552.06	33.18
ARLINGTON	95,490,471.38	80.00	54,824,974.24	13,418,686.94	27,246,810.19	2,285,577.14	16.55
AUGUSTA	59,289,091.89	46.11	21,397,880.99	23,940,700.09	13,950,510.81	-2,851,029.10	34.62
BATH	6,206,973.78	80.00	3,776,228.20	930,367.24	1,500,378.34	98,481.58	27.23
BLAND	8,267,846.50	28.88	1,914,551.11	4,509,030.66	1,844,264.74	1,293,457.39	38.96
BOTETOURT	26,021,255.96	41.47	8,288,729.70	11,244,064.07	6,488,462.18	209,244.26	30.96
BRUNSWICK	16,920,417.94	33.82	4,379,491.78	8,065,134.45	4,475,791.71	599,942.16	31.29
BUCHANAN	42,942,837.26	31.67	10,312,803.54	21,149,851.30	11,480,182.42	510,193.72	29.76
BUCKINGHAM	12,982,324.94	36.91	3,666,018.11	5,974,931.37	3,341,375.46	508,536.83	30.94
CAMPBELL	50,748,401.48	36.54	14,078,434.66	23,330,593.93	13,339,372.89	-790,813.18	30.38
CAROLINE	21,070,447.68	38.19	6,111,342.65	9,411,997.93	5,547,107.10	116,955.03	30.71
CARROLL	29,356,415.62	31.71	7,230,461.79	14,764,014.42	7,361,939.40	2,223,725.83	33.24
CHARLES CITY	7,365,660.02	41.69	2,421,713.35	3,219,662.30	1,724,284.37	-27,801.33	33.16
CHARLOTTE	13,419,377.03	32.08	3,282,327.74	6,559,077.15	3,577,972.14	110,913.29	30.67
CHESTERFIELD	261,955,790.78	45.99	94,176,088.68	106,574,555.18	61,205,146.92	12,607,942.10	40.68
CLARKE	10,715,049.65	58.09	4,674,047.83	3,206,688.49	2,834,313.33	392,829.81	32.43
CRAIG	4,455,582.35	38.79	1,327,242.88	2,016,695.28	1,111,644.19	156,665.47	30.63
CULPEPER	29,425,992.29	48.69	11,267,434.73	11,504,019.13	6,654,538.43	1,532,167.56	36.44
CUMBERLAND	8,289,467.13	35.89	2,232,622.65	3,811,838.80	2,245,005.69	418,046.49	30.03
DICKENSON	22,841,278.94	31.96	5,565,882.44	11,277,153.41	5,998,243.09	-30,647.50	29.80
DINWIDDIE	23,212,679.66	36.15	6,267,978.15	10,623,606.07	6,321,095.44	83,951.51	31.16
ESSEX	10,375,929.99	52.02	4,132,711.75	3,707,463.69	2,535,754.56	595,618.24	35.44
FAUQUIER	50,464,462.95	66.24	25,553,403.96	12,705,929.32	12,205,129.67	24,138.99	35.63
FLOYD	12,550,902.53	39.58	3,806,915.10	5,592,075.99	3,151,911.44	301,093.43	32.36
FLUVANNA	12,714,955.66	45.95	4,567,905.24	5,170,907.30	2,976,143.11	219,844.41	33.93
FRANKLIN	38,776,537.61	41.29	12,459,644.18	17,017,815.35	9,299,078.07	162,313.43	32.08
FREDERICK	47,733,464.68	46.05	17,009,245.61	18,657,612.71	12,066,606.35	2,063,599.06	36.93
GILES	17,720,131.85	36.01	4,847,747.17	8,249,576.49	4,622,808.20	388,316.68	28.76
GLOUCESTER	35,944,950.09	48.00	13,526,823.83	14,089,701.30	8,328,424.96	2,006,186.26	40.49
GOOCHLAND	11,908,133.06	65.60	5,979,928.65	3,047,973.95	2,880,230.46	-91,781.58	32.36
GRAYSON	17,423,957.43	32.27	4,375,669.56	8,718,884.81	4,329,403.06	2,126,183.87	33.29
GREENE	11,868,864.19	39.47	3,566,740.66	5,215,653.14	3,086,470.39	998,181.54	38.08
HALIFAX	33,086,111.50	30.28	7,620,526.67	16,625,536.50	8,840,048.33	-404,715.17	29.89
HANOVER	64,063,405.64	53.02	25,808,799.20	22,089,136.40	16,165,470.04	1,612,126.44	33.91
HENRICO	193,852,277.01	57.24	83,372,726.49	60,210,975.25	50,268,575.28	5,165,190.52	30.84
HENRY	55,728,327.26	38.29	16,096,610.93	24,660,593.45	14,971,122.88	-1,066,523.68	28.46
HIGHLAND	3,426,547.59	64.67	1,743,831.34	948,185.22	734,531.03	634,412.05	42.31
ISLE OF WIGHT	25,310,399.64	48.89	9,361,214.29	9,394,897.10	6,554,288.46	618,227.55	32.84
KING GEORGE	15,239,664.29	40.67	4,830,904.58	6,780,484.85	3,628,274.86	770,021.71	35.65
KING & QUEEN	6,148,195.98	47.36	2,174,791.17	2,343,984.27	1,629,420.54	362,832.81	30.62
KING WILLIAM	9,316,441.27	61.72	4,501,118.47	2,725,843.09	2,089,479.71	-523,569.20	36.54
LANCASTER	10,118,887.57	64.61	5,104,139.02	2,731,647.29	2,283,101.26	190,072.55	30.95
LEE	30,864,960.25	23.13	5,459,566.93	16,971,412.63	8,433,980.70	1,131,173.32	31.11
LOUDOUN	93,867,926.25	68.05	49,355,545.55	22,540,240.69	21,972,140.00	3,062,780.69	39.76
LOUISA	22,667,238.18	80.00	13,564,380.69	3,314,302.83	5,788,554.66	246,655.49	31.18
LUNENBURG	14,141,506.60	31.23	3,520,740.98	7,336,551.90	3,284,213.72	1,471,257.62	34.69
MADISON	11,373,705.49	47.98	4,144,138.39	4,349,674.67	2,879,892.43	512,663.11	32.28
MATHEWS	8,238,222.76	58.45	3,674,090.91	2,510,698.15	2,053,433.70	134,527.86	31.87
MECKLENBURG	32,460,663.26	38.14	9,596,066.81	14,931,695.45	7,932,900.99	902,356.45	32.50
MIDDLESEX	7,555,742.38	65.47	3,781,099.25	1,939,309.12	1,835,334.00	111,673.12	30.74
MONTGOMERY	53,561,286.43	40.83	16,601,987.74	23,112,726.87	13,846,571.82	1,660,758.69	29.33
NELSON	13,408,309.81	52.36	5,395,159.44	4,719,959.78	3,293,190.59	140,762.37	32.43
NEW KENT	12,231,052.09	47.11	4,338,678.41	4,662,586.69	3,229,786.99	914,917.68	35.66
NORTHAMPTON	17,122,929.23	31.62	4,122,730.28	8,509,411.77	4,490,787.18	2,512,480.95	33.86
NORTHUMBERLAND	8,770,408.56	64.34	4,306,961.76	2,333,024.15	2,130,422.65	353,842.80	30.19
NOTTOWAY	14,934,770.60	33.95	3,871,446.07	7,156,170.66	3,907,153.87	479,502.53	30.05
ORANGE	23,125,011.14	47.64	8,506,103.52	9,040,228.00	5,578,679.62	450,873.63	34.25
PAGE	21,090,567.23	38.02	6,222,105.50	9,507,489.54	5,360,972.19	963,729.73	31.80
PATRICK	17,359,664.72	36.57	4,859,472.49	8,072,632.40	4,427,559.82	-237,393.77	29.62
PITTSYLVANIA	62,805,996.16	32.39	15,154,526.47	30,032,657.77	17,618,811.92	-3,786,770.30	26.98
POWHATAN	13,941,502.40	43.80	4,738,071.57	5,860,688.97	3,342,741.86	832,334.83	33.19
PRINCE EDWARD	15,082,344.32	36.61	4,158,920.85	6,815,739.23	4,107,684.24	1,353,369.46	30.06
PRINCE GEORGE	29,875,058.37	27.26	6,287,772.50	15,830,122.19	7,757,163.68	980,565.87	31.52
PRINCE WILLIAM	268,309,067.22	44.29	91,486,998.37	111,122,599.80	65,699,469.05	26,777,668.85	40.84
PULASKI	36,139,856.80	34.36	9,419,913.03	17,165,261.55	9,554,682.22	-783,876.22	28.52
RAPPAHANNOCK	6,690,324.05	65.27	3,407,438.64	1,757,562.27	1,525,323.15	427,067.42	35.32
RICHMOND	8,004,450.23	48.75	3,063,594.67	3,122,481.67	1,818,373.89	41,315.56	33.59

OPTION 3 - REVISED COST METHOD, LOCAL REVENUE INDEX, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	45.67	27,742,118.13	31,728,598.39	21,292,911.03	-997,150.58	30.40
ROCKBRIDGE	17,085,050.80	45.10	5,907,448.46	6,953,090.98	4,224,511.37	306,532.35	30.51
ROCKINGHAM	56,957,963.17	43.05	18,659,168.76	23,482,798.21	14,815,996.20	1,087,594.41	31.67
RUSSELL	33,980,923.57	30.17	8,015,823.98	17,616,581.63	8,348,517.95	-221,000.41	29.91
SCOTT	28,284,224.83	26.31	5,870,283.70	15,545,851.27	6,868,089.86	1,650,501.13	32.53
SHENANDOAH	29,518,396.46	49.24	11,093,850.79	10,990,829.90	7,433,715.78	221,635.67	31.81
SMYTH	36,324,707.78	29.12	8,067,306.70	18,281,867.49	9,975,533.60	430,001.09	30.68
SOUTHAMPTON	15,662,344.52	47.66	5,421,896.51	5,746,905.22	4,493,542.79	325,900.01	28.36
SPOTTSYLVANIA	67,759,568.44	44.94	23,852,089.38	28,145,428.67	15,762,050.39	3,916,079.06	44.43
STAFFORD	71,584,266.10	37.52	21,055,424.31	33,495,418.88	17,033,422.90	5,664,661.79	39.29
SURRY	7,755,485.86	80.00	4,877,219.78	1,198,194.18	1,680,071.90	54,632.08	23.63
SUSSEX	10,255,442.55	43.08	3,156,189.11	4,018,757.19	3,080,496.25	-35,100.56	27.19
TAZEWELL	56,100,323.28	31.20	13,588,907.86	28,475,302.10	14,036,113.32	193,655.42	30.42
WARREN	25,418,167.23	46.59	8,897,944.63	9,808,455.40	6,711,767.20	1,018,938.60	33.21
WASHINGTON	47,587,929.49	35.40	12,810,418.82	22,166,686.42	12,610,824.25	9,730.67	29.70
WESTMORELAND	11,562,036.36	57.59	5,068,518.04	3,636,009.55	2,857,508.77	-779,915.68	29.86
WISE	53,882,757.63	29.92	12,407,873.85	27,538,857.76	13,936,026.02	237,223.78	31.08
WYTHE	29,328,401.08	34.12	7,683,334.91	13,934,966.41	7,710,099.75	1,300,706.16	32.56
YORK	56,427,014.87	40.98	18,210,937.31	24,894,570.33	13,321,507.22	3,870,377.56	37.22
Cities:							
ALEXANDRIA	63,182,882.86	80.00	34,734,751.72	8,242,554.79	20,205,576.35	4,211.14	15.48
BRISTOL	17,812,543.21	50.51	6,568,471.40	6,219,518.06	5,024,553.75	-787,674.19	28.45
BUENA VISTA	7,305,066.32	28.25	1,599,471.31	3,836,799.76	1,868,795.24	68,133.00	30.25
CHARLOTTESVILLE	27,938,828.14	61.13	12,423,459.23	7,541,178.26	7,974,190.65	-648,015.09	26.15
CHESAPEAKE	172,236,596.87	40.92	54,928,686.19	76,118,876.34	41,189,034.35	7,873,710.68	36.85
COLONIAL HEIGHTS	16,530,475.91	45.31	5,679,657.89	6,533,505.98	4,317,312.04	316,928.02	29.60
COVINGTON	6,464,299.55	41.32	1,992,595.34	2,723,654.38	1,748,049.83	127,098.22	24.80
DANVILLE	50,101,096.21	39.81	15,379,665.42	22,098,583.98	12,622,846.80	5,943,350.79	34.85
FALLS CHURCH	8,150,714.29	80.00	4,847,922.86	1,170,276.01	2,132,515.43	289,963.43	15.80
FRANKLIN	11,174,615.94	30.23	2,782,876.19	5,915,156.00	2,476,583.76	461,739.75	36.96
FREDERICKSBURG	13,819,720.57	63.77	6,442,532.02	3,567,217.36	3,809,971.18	706,130.54	26.99
GALAX	7,022,033.14	48.24	2,642,941.56	2,728,631.13	1,650,460.45	647,827.58	31.81
HAMPTON	125,104,771.43	41.71	39,494,363.36	52,575,512.75	33,034,895.32	4,209,628.07	30.81
HARRISONBURG	17,832,835.28	62.90	8,546,218.67	4,874,799.87	4,411,816.74	633,140.61	28.24
HOPEWELL	23,314,835.77	36.64	6,502,191.27	10,750,400.83	6,062,243.67	-40,215.50	28.97
LEXINGTON	4,448,210.72	45.64	1,578,366.34	1,813,965.31	1,055,879.07	449,966.38	27.54
LYNCHBURG	57,347,616.49	48.42	20,628,680.63	20,889,946.28	15,828,989.58	1,091,275.86	27.85
MANASSAS	30,854,381.57	62.66	15,406,017.17	8,959,949.97	6,488,414.42	2,589,792.40	45.46
MANASSAS PARK	9,973,326.97	28.19	2,189,400.94	5,322,296.08	2,461,629.96	1,696,004.03	38.73
MARTINSVILLE	17,655,637.94	47.65	6,434,726.78	6,833,568.04	4,387,343.11	-378,418.84	28.95
NEWPORT NEWS	171,419,719.82	40.37	52,252,086.92	73,457,513.55	45,710,119.35	10,804,212.91	32.92
NORFOLK	216,109,996.74	41.00	65,204,977.22	89,170,024.63	61,734,994.89	8,772,259.52	27.44
NORTON	5,521,572.97	35.07	1,432,609.00	2,527,132.66	1,561,831.31	232,319.97	29.66
PETERSBURG	36,425,675.66	37.01	10,111,276.43	16,339,672.89	9,974,726.34	1,318,579.23	27.96
POQUOSON	15,590,475.69	39.52	4,896,293.27	7,012,610.07	3,681,572.35	622,100.42	40.32
PORTSMOUTH	115,262,595.46	33.35	30,370,958.59	57,651,656.82	27,239,980.06	5,945,056.87	32.53
RADFORD	9,175,684.64	40.71	2,820,472.44	3,947,497.51	2,407,714.69	96,238.20	25.29
RICHMOND	167,588,325.31	58.37	68,068,935.00	46,201,949.35	53,317,440.96	420,410.31	25.67
ROANOKE	78,361,596.95	49.78	26,263,004.62	25,333,752.52	26,764,839.81	-1,758,327.66	23.03
SALEM	20,329,058.34	53.20	8,115,444.79	6,921,951.99	5,291,661.57	161,449.56	27.41
SOUTH BOSTON	8,363,208.38	32.82	2,165,554.81	4,227,486.44	1,970,167.13	992,579.57	33.01
STAUNTON	20,296,697.05	43.78	6,076,124.69	7,388,229.84	6,832,342.52	3,237,416.36	26.69
SUFFOLK	55,999,913.34	39.58	16,626,964.30	24,071,257.16	15,301,691.89	2,243,889.05	32.30
VIRGINIA BEACH	406,915,744.87	45.64	141,972,591.52	162,374,622.73	102,568,530.62	27,493,963.35	35.75
WAYNESBORO	16,349,576.94	46.85	5,754,321.05	6,297,759.17	4,297,496.72	571,597.89	29.15
WINCHESTER	19,966,471.02	57.83	8,736,589.99	5,907,230.71	5,322,650.32	714,875.03	31.38
Towns:							
COLONIAL BEACH	3,423,500.36	57.59	1,566,036.48	1,123,854.77	733,609.11	-65,812.12	45.53
WEST POINT	4,306,580.12	61.72	2,134,093.25	1,288,806.31	883,680.56	-700,115.13	59.71
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	33.70	5,121,260.36	9,355,286.51	4,957,043.76	-691,793.73	29.54
BEDFORD COUNTY-CITY	48,402,229.70	44.98	16,500,517.55	19,577,229.39	12,324,482.76	1,628,996.15	32.39
FAIRFAX COUNTY-CITY	866,721,359.61	70.24	458,628,745.14	186,460,055.93	221,632,558.55	34,438,348.47	35.17
GREENSVILLE/EMPORIA	18,156,203.14	30.85	4,942,834.65	8,684,913.37	4,528,455.12	845,898.50	29.88
JAMES CITY/WILLIAMSBURG	40,092,909.59	62.23	18,865,912.22	10,164,631.01	11,062,366.36	1,246,835.36	38.30

Summary of Option 4

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- LOCAL REVENUE INDEX: POPULATION WEIGHTED 1/3, ADM 2/3
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 52 PERCENT IN FY 1990
- INSTRUCTIONAL FRINGE BENEFITS EQUALIZED WITH STATE SHARE OF 90 PERCENT IN FY 1990
- CAP ON LOCAL SHARES AT 80 PERCENT
- NO INCOME ADJUSTMENT IN LOCAL SHARE CALCULATION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 4 - REVISED COST METHOD, LOCAL REVENUE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Increase in Funding Over: Prev. Biennium
Total State Funds	3,917,310,339.36	219,516,585.36	372,145,674.36
State General Fund	3,020,327,343.36	178,625,589.36	291,952,011.36
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS	
Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES
FRINGE BENEFIT COSTS	
Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %
SUPPORT COSTS	
Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SDH Nursing
DISTRIBUTION	
Method of Equalization	Local Revenue Index w/o Income Adj. AGI
Proxy for Other Revenues	
Standardization of Index	Population = 33.3 % ADM = 66.7 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Nominal State Share: Year Two
Basic Aid	YES	50.00 %	52.00 %
Vocational Education	YES	50.00 %	52.00 %
Gifted and Talented	YES	50.00 %	52.00 %
Remedial Education	YES	50.00 %	52.00 %
Special Education	YES	50.00 %	52.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	52.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	YES	100.00 %	90.00 %
Non-Instructional Fringe	YES	100.00 %	90.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	979,272,701.17	1,078,730,284.33	2,058,002,985.50
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,504,819.23	31,286,099.24	58,790,918.47
Special Education	36,533,926.00	62,988,847.17	72,178,852.95	135,167,700.12
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,348,290.69	14,769,039.79	28,117,330.48
Remedial Education	20,230,881.00	22,531,681.53	22,039,782.53	44,571,464.06
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	159,460,172.36	324,956,194.89
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	115,190,773.91	232,553,864.49
Support Fringe Categorical	21,559,359.00	21,538,074.00	19,090,579.00	40,628,653.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,336,593.92	8,837,335.61
Pupil Transportation	33,030,415.00	17,133,276.72	17,732,853.71	34,866,130.43
Driver's Education Fund (HM&CF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,889,262,751.01	2,028,047,588.35	3,917,310,339.36
LOCAL PORTION				
Basic Aid		939,873,095.24	962,578,486.62	1,902,451,581.86
Vocational Education		24,006,899.48	25,675,247.72	49,682,147.19
Special Education		63,793,081.05	68,007,375.55	131,800,456.60
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		12,887,684.24	13,270,474.30	26,158,158.54
Remedial Education		13,661,828.96	16,699,306.65	30,361,135.61
Employee Retirement		0.00	17,983,718.75	17,983,718.75
Social Security		0.00	12,991,071.38	12,991,071.38
Group Life Insurance		0.00	489,075.64	489,075.64
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,829,279.28	15,229,702.29	31,058,981.57
Support Fringe Categorical		0.00	2,447,495.00	2,447,495.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,113,717,197.47	1,182,361,360.33	2,296,078,557.81
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 4 - REVISED COST METHOD, LOCAL REVENUE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	37.83	10,582,981.92	17,519,990.50	5,744,369.94	3,362,506.44	34.64
ALBEMARLE	59,710,184.39	59.96	28,186,358.43	19,589,474.91	11,934,351.05	1,004,725.96	32.54
AMELIA	9,933,940.86	40.82	3,173,113.02	4,598,833.08	2,161,994.76	367,879.83	33.01
AMHERST	28,297,511.56	34.94	7,961,617.74	14,735,715.62	5,600,178.20	525,027.82	30.36
APPOMATTOX	14,505,636.09	34.82	4,043,283.69	7,621,476.80	2,840,875.60	224,086.40	33.02
ARLINGTON	95,490,471.38	80.00	56,369,621.64	17,723,744.53	21,397,105.21	740,929.74	17.01
AUGUSTA	59,289,091.89	44.27	21,284,073.84	27,104,475.35	10,900,542.70	-2,737,221.95	34.43
BATH	6,206,973.78	80.00	3,846,442.82	1,209,328.63	1,151,202.34	28,266.96	27.74
BLAND	8,267,846.50	27.72	1,905,100.73	4,967,739.88	1,395,005.90	1,302,907.78	38.77
BOTETOURT	26,021,255.96	39.81	8,247,149.88	12,632,301.61	5,141,804.47	250,824.08	30.81
BRUNSWICK	16,920,417.94	32.47	4,360,683.09	8,951,898.01	3,607,836.84	618,750.85	31.16
BUCHANAN	42,942,837.26	30.40	10,272,426.14	23,351,778.72	9,318,632.40	550,571.12	29.65
BUCKINGHAM	12,982,324.94	35.44	3,648,307.08	6,619,446.02	2,714,571.84	526,247.86	30.79
CAMPBELL	50,748,401.48	35.08	14,015,369.15	26,041,289.31	10,691,743.02	-727,747.67	30.25
CAROLINE	21,070,447.68	36.66	6,084,019.66	10,482,571.36	4,503,856.66	144,278.02	30.57
CARROLL	29,356,415.62	30.44	7,200,645.63	16,351,446.88	5,804,323.11	2,253,541.98	33.10
CHARLES CITY	7,365,660.02	40.02	2,410,864.81	3,605,271.61	1,349,523.60	-16,952.79	33.01
CHARLOTTE	13,419,377.03	30.80	3,268,036.78	7,241,194.86	2,910,145.39	125,204.25	30.54
CHESTERFIELD	261,955,790.78	44.15	93,612,413.84	121,126,700.61	47,216,676.33	13,171,616.94	40.44
CLARKE	10,715,049.65	55.76	4,651,080.98	3,779,085.98	2,284,882.69	415,796.67	32.27
CRAIG	4,455,582.35	37.24	1,320,442.58	2,249,485.15	885,654.62	163,465.77	30.47
CULPEPER	29,425,992.29	46.75	11,205,876.76	13,135,758.12	5,084,357.41	1,593,725.53	36.24
CUMBERLAND	8,289,467.13	34.46	2,223,762.59	4,230,798.08	1,834,906.46	426,906.54	29.91
DICKENSON	22,841,278.94	30.68	5,540,602.82	12,456,334.51	4,844,341.61	-5,367.88	29.66
DINWIDDIE	23,212,679.66	34.70	6,238,520.68	11,794,669.01	5,179,489.98	113,408.99	31.01
ESSEX	10,375,929.99	49.94	4,113,627.16	4,283,088.93	1,979,213.90	614,702.83	35.28
FAUQUIER	50,464,462.95	63.59	25,424,415.83	15,538,359.67	9,501,687.45	153,127.13	35.45
FLOYD	12,550,902.53	38.00	3,790,905.83	6,263,309.23	2,496,687.48	317,102.70	32.22
FLUVANNA	12,714,955.66	44.12	4,543,300.22	5,841,115.17	2,330,540.27	244,449.43	33.75
FRANKLIN	38,776,537.61	39.64	12,394,445.33	19,121,602.22	7,260,490.05	227,512.27	31.91
FREDERICK	47,733,464.68	44.20	16,924,263.23	21,241,297.48	9,567,903.96	2,148,581.44	36.74
GILES	17,720,131.85	34.57	4,830,034.19	9,201,124.54	3,688,973.12	406,029.66	28.65
GLOUCESTER	35,944,950.09	46.08	13,454,906.55	16,063,835.67	6,426,207.87	2,078,103.54	40.27
GOOCHLAND	11,908,133.06	62.98	5,950,741.79	3,698,562.88	2,258,828.39	-62,594.73	32.20
GRAYSON	17,423,957.43	30.98	4,356,447.50	9,672,844.61	3,394,665.32	2,145,405.93	33.14
GREENE	11,868,864.19	37.89	3,550,009.45	5,864,390.09	2,454,464.65	1,014,912.74	37.90
HALIFAX	33,086,111.50	29.07	7,590,275.37	18,379,945.88	7,115,890.24	-374,463.88	29.77
HANOVER	64,063,405.64	50.90	25,675,625.39	25,594,929.78	12,792,850.47	1,745,300.25	33.74
HENRICO	193,852,277.01	54.95	82,980,932.55	70,967,744.24	39,903,600.22	5,556,984.46	30.69
HENRY	55,728,327.26	36.76	16,028,625.75	27,541,174.89	12,158,526.61	-998,538.49	28.34
HIGHLAND	3,426,547.59	62.08	1,734,340.65	1,157,490.41	534,716.54	643,902.74	42.08
ISLE OF WIGHT	25,310,399.84	46.93	9,321,488.55	10,745,504.71	5,243,406.57	657,953.29	32.70
KING GEORGE	15,239,664.29	39.04	4,803,934.08	7,589,038.99	2,846,691.21	796,992.20	35.45
KING & QUEEN	6,148,195.98	45.47	2,164,389.90	2,669,634.18	1,314,171.90	373,234.09	30.48
KING WILLIAM	9,316,441.27	59.25	4,477,828.96	3,237,391.66	1,601,220.65	-500,279.69	36.35
LANCASTER	10,118,887.57	62.02	5,077,078.31	3,282,240.28	1,759,568.98	217,133.26	30.79
LEE	30,864,960.25	22.20	5,437,643.14	18,551,904.42	6,875,412.69	1,153,097.11	30.98
LOUDOUN	93,867,926.25	65.33	49,093,732.29	28,009,162.56	16,765,031.39	3,324,593.95	39.55
LOUISA	22,667,238.18	80.00	13,800,757.67	4,320,952.65	4,545,527.86	10,278.51	31.73
LUNENBURG	14,141,506.60	29.98	3,500,913.03	8,054,571.05	2,586,022.51	1,491,085.57	34.49
MADISON	11,373,705.49	46.06	4,125,849.30	4,964,988.49	2,282,867.70	530,952.19	32.14
MATHEWS	8,238,222.76	56.11	3,650,734.19	2,955,707.28	1,631,781.29	157,884.57	31.66
MECKLENBURG	32,460,663.26	36.62	9,554,796.57	16,670,953.10	6,234,913.59	943,626.69	32.36
MIDDLESEX	7,555,742.38	62.85	3,761,720.82	2,354,022.68	1,439,998.88	131,051.56	30.58
MONTGOMERY	53,561,286.43	39.19	16,524,232.29	26,029,544.20	11,007,509.94	1,738,514.15	29.19
NELSON	13,408,309.81	50.26	5,367,298.91	5,428,457.71	2,612,553.19	168,622.90	32.26
NEW KENT	12,231,052.09	45.22	4,319,457.30	5,326,284.96	2,585,309.83	934,138.79	35.50
NORTHAMPTON	17,122,929.23	30.36	4,110,051.56	9,432,474.07	3,580,403.61	2,525,159.67	33.76
NORTHUMBERLAND	8,770,408.56	61.76	4,286,898.90	2,806,549.92	1,676,959.73	373,905.65	30.05
NOTTOWAY	14,934,770.60	32.59	3,852,222.51	7,919,837.28	3,162,710.81	498,726.09	29.90
ORANGE	23,125,011.14	45.74	8,464,113.46	10,293,935.79	4,366,961.89	492,863.68	34.08
PAGE	21,090,567.23	36.50	6,194,426.02	10,612,280.96	4,283,860.25	991,409.21	31.65
PATRICK	17,359,664.72	35.11	4,837,144.98	8,974,802.95	3,547,716.78	-215,066.26	29.49
PITTSYLVANIA	62,805,996.16	31.09	15,108,789.22	33,395,609.09	14,301,597.85	-3,741,033.06	26.90
POWHATAN	13,941,502.40	42.05	4,714,484.54	6,595,848.35	2,631,169.51	855,921.86	33.03
PRINCE EDWARD	15,082,344.32	35.14	4,141,415.44	7,606,914.31	3,334,014.56	1,370,874.87	29.93
PRINCE GEORGE	29,875,058.37	26.17	6,255,552.86	17,366,470.08	6,253,035.43	1,012,785.51	31.36
PRINCE WILLIAM	268,309,067.22	42.51	91,032,957.19	126,420,578.50	50,855,531.52	27,231,710.02	40.64
PULASKI	36,139,856.80	32.98	9,379,072.17	19,054,036.66	7,706,747.98	-743,035.36	28.40
RAPPAHANNOCK	6,690,324.05	62.66	3,385,423.63	2,126,948.13	1,177,952.29	449,082.42	35.10
RICHMOND	8,004,450.23	46.80	3,046,107.07	3,549,073.62	1,409,269.54	58,803.16	33.40

OPTION 4 - REVISED COST METHOD, LOCAL REVENUE INDEX, 52 PERCENT STATE SHARE IN FY 1990, PHASED EQUALIZATION OF FRINGE BENEFITS IN FY 1990

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	43.85	27,615,599.29	36,239,715.27	16,908,312.99	-870,631.74	30.26
ROCKBRIDGE	17,085,050.80	43.29	5,877,670.35	7,873,384.83	3,333,995.63	336,310.46	30.36
ROCKINGHAM	56,957,963.17	41.33	18,572,412.65	26,544,413.23	11,841,137.28	1,174,350.51	31.52
RUSSELL	33,980,923.57	28.96	7,979,376.90	19,379,286.88	6,622,259.79	-184,553.33	29.78
SCOTT	28,284,224.83	25.26	5,842,179.75	17,033,457.54	5,408,587.54	1,678,605.08	32.37
SHENANDOAH	29,518,396.46	47.27	11,038,635.22	12,585,139.20	5,894,622.04	276,851.25	31.66
SMYTH	36,324,707.78	27.95	8,033,443.86	20,091,889.72	8,199,454.20	463,863.92	30.56
SOUTHAMPTON	15,662,344.52	45.76	5,403,878.37	6,590,265.62	3,668,200.53	343,918.15	28.26
SPOTTSYLVANIA	67,759,568.44	43.14	23,716,293.18	31,899,177.71	12,144,097.55	4,051,875.26	44.17
STAFFORD	71,584,266.10	36.02	20,945,011.23	37,472,894.08	13,166,360.79	5,775,074.88	39.09
SURRY	7,755,485.86	80.00	4,975,942.67	1,506,429.07	1,273,114.12	-44,090.80	24.11
SUSSEX	10,255,442.55	41.36	3,149,254.93	4,528,431.68	2,577,755.95	-28,166.37	27.13
TAZEWELL	56,100,323.28	29.95	13,528,054.98	31,431,312.86	11,140,955.44	254,508.30	30.29
WARREN	25,418,167.23	44.72	8,865,580.18	11,200,875.53	5,351,711.51	1,051,303.05	33.09
WASHINGTON	47,587,929.49	33.98	12,751,835.68	24,674,105.23	10,161,988.58	68,313.81	29.57
WESTMORELAND	11,562,036.36	55.28	5,042,602.77	4,241,769.76	2,277,663.82	-754,000.41	29.70
WISE	53,882,757.63	28.72	12,349,241.91	30,363,675.37	11,169,840.35	295,855.72	30.93
WYTHE	29,328,401.08	32.76	7,652,347.46	15,452,928.79	6,223,124.82	1,331,693.61	32.43
YORK	56,427,014.87	39.34	18,110,778.78	27,986,011.47	10,330,224.61	3,970,536.08	37.01
Cities:							
ALEXANDRIA	63,182,882.86	80.00	35,590,461.23	10,856,073.50	16,736,348.13	-851,498.36	15.86
BRISTOL	17,812,543.21	48.49	6,547,561.01	7,211,435.06	4,053,547.13	-766,763.81	28.36
BUENA VISTA	7,305,066.32	27.12	1,592,396.08	4,235,026.77	1,477,643.47	75,208.24	30.11
CHARLOTTESVILLE	27,938,828.14	58.69	12,390,197.94	9,178,979.46	6,369,650.73	-614,753.80	26.08
CHESAPEAKE	172,236,596.87	39.28	54,673,986.73	85,621,122.33	31,941,487.81	8,128,410.14	36.68
COLONIAL HEIGHTS	16,530,475.91	43.50	5,656,522.58	7,484,984.82	3,388,968.51	340,063.33	29.48
COVINGTON	6,464,299.55	39.67	1,986,125.15	3,085,359.03	1,392,815.37	133,568.40	24.72
DANVILLE	50,101,096.21	38.22	15,319,112.12	24,868,828.18	9,913,155.91	6,003,904.09	34.71
FALLS CHURCH	8,150,714.29	80.00	5,010,563.61	1,494,316.93	1,645,833.75	127,322.68	16.33
FRANKLIN	11,174,615.94	29.02	2,771,316.43	6,518,559.16	1,884,740.34	473,299.51	36.80
FREDERICKSBURG	13,819,720.57	61.22	6,417,699.92	4,365,747.41	3,036,273.23	730,962.65	26.89
GALAX	7,022,033.14	46.31	2,631,354.59	3,130,317.68	1,260,360.87	659,414.55	31.67
HAMPTON	125,104,771.43	40.04	39,350,000.34	59,599,442.21	26,155,328.88	4,353,991.09	30.70
HARRISONBURG	17,832,835.28	60.39	8,507,410.44	5,909,662.07	3,415,762.77	671,948.84	28.11
HOPEWELL	23,314,835.77	35.18	6,478,837.74	12,097,973.90	4,738,024.13	-16,861.97	28.86
LEXINGTON	4,448,210.72	43.82	1,571,444.19	2,068,569.03	808,197.51	456,888.53	27.42
LYNCHBURG	57,347,616.49	46.48	20,550,152.90	24,107,629.13	12,689,834.46	1,169,803.59	27.75
MANASSAS	30,854,381.57	60.16	15,313,844.79	10,777,285.25	4,763,251.54	2,681,964.79	45.19
MANASSAS PARK	9,973,326.97	27.06	2,181,874.48	5,891,569.61	1,899,882.89	1,703,530.50	38.60
MARTINSVILLE	17,655,637.94	45.74	6,406,113.29	7,804,953.41	3,444,571.24	-349,805.35	28.82
NEWPORT NEWS	171,419,719.82	38.75	52,057,414.03	83,083,328.81	36,278,976.97	10,998,885.79	32.80
NORFOLK	216,109,996.74	39.36	64,977,449.08	101,271,659.79	49,860,887.87	8,999,787.66	27.34
NORTON	5,521,572.97	33.67	1,427,044.95	2,822,788.81	1,271,739.21	237,884.02	29.55
PETERSBURG	36,425,675.66	35.53	10,074,050.72	18,272,696.92	8,078,928.02	1,355,804.94	27.85
POQUOSON	15,590,475.69	37.94	4,868,221.47	7,863,266.25	2,858,987.97	650,172.22	40.09
PORTSMOUTH	115,262,595.46	32.02	30,235,748.22	63,889,157.11	21,137,690.14	6,080,267.24	32.38
RADFORD	9,175,684.64	39.08	2,808,327.27	4,465,909.75	1,901,447.62	108,383.37	25.18
RICHMOND	167,588,325.31	56.04	67,913,961.33	55,531,412.33	44,142,951.65	575,383.98	25.61
ROANOKE	78,361,596.95	47.79	26,214,871.52	29,556,105.06	22,590,620.38	-1,710,194.57	22.99
SALEM	20,329,058.34	51.07	8,078,513.58	8,063,157.06	4,187,387.70	198,380.76	27.29
SOUTH BOSTON	8,363,208.38	31.51	2,154,293.03	4,665,089.82	1,543,825.53	1,003,841.35	32.84
STAUNTON	20,296,697.05	42.03	6,050,841.47	8,412,881.70	5,832,973.88	3,262,699.58	26.58
SUFFOLK	55,999,913.34	38.00	16,562,149.78	27,053,534.51	12,384,229.05	2,308,703.57	32.17
VIRGINIA BEACH	406,915,744.87	43.82	141,218,296.44	184,950,713.85	80,746,734.57	28,248,248.42	35.56
WAYNESBORO	16,349,576.94	44.98	5,729,571.14	7,219,343.94	3,400,661.86	596,347.80	29.02
WINCHESTER	19,966,471.02	55.51	8,700,290.45	7,015,893.80	4,250,286.76	751,174.57	31.25
Towns:							
COLONIAL BEACH	3,423,500.36	55.28	1,555,386.43	1,313,168.05	554,945.88	-55,162.07	45.22
WEST POINT	4,306,580.12	59.25	2,121,743.51	1,532,383.73	652,452.88	-687,765.39	59.37
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	32.36	5,097,418.96	10,365,542.81	3,970,628.86	-667,952.33	29.41
BEDFORD COUNTY-CITY	48,402,229.70	43.18	16,423,830.24	22,177,113.81	9,801,285.65	1,705,683.46	32.24
FAIRFAX COUNTY-CITY	866,721,359.61	67.43	456,801,825.23	237,435,170.73	172,484,363.65	36,265,268.39	35.01
GREENSVILE/EMPORIA	18,156,203.14	29.62	4,921,665.42	9,633,531.80	3,601,005.92	867,067.72	29.78
JAMES CITY/WILLIAMSBURG	40,092,909.59	59.74	18,902,319.82	12,236,007.90	8,954,581.87	1,210,427.77	38.08

Summary of Option 5

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- LOCAL REVENUE INDEX: POPULATION WEIGHTED 1/3, ADM 2/3
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 50 PERCENT
- CAP ON LOCAL SHARES AT 80 PERCENT
- INCOME ADJUSTMENT USED IN LOCAL SHARE CALCULATION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 5 - REVISED COST METHOD, LOCAL REVENUE INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Increase in Funding Over: Prev. Biennium
Total State Funds	3,861,750,244.88	163,956,490.88	316,585,579.88
State General Fund	2,964,767,248.88	123,065,494.88	236,391,916.88
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS	
Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES
FRINGE BENEFIT COSTS	
Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %
SUPPORT COSTS	
Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SDH Nursing
DISTRIBUTION	
Method of Equalization	Local Revenue Index w/ Income Adj.
Proxy for Other Revenues	AGI
Standardization of Index	Population = 33.3 % ADM = 66.7 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Nominal State Share: Year Two
Basic Aid	YES	50.00 %	50.00 %
Vocational Education	YES	50.00 %	50.00 %
Gifted and Talented	YES	50.00 %	50.00 %
Remedial Education	YES	50.00 %	50.00 %
Special Education	YES	50.00 %	50.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	50.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	NO	100.00 %	100.00 %
Non-Instructional Fringe	NO	100.00 %	100.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	957,958,474.62	1,015,518,643.99	1,973,477,118.61
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,783,455.05	30,623,336.51	58,406,791.57
Special Education	36,533,926.00	61,360,742.22	67,929,927.31	129,290,669.53
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,067,892.53	13,912,227.34	26,980,119.87
Remedial Education	20,230,881.00	23,143,787.83	24,600,818.62	47,744,606.45
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	177,443,891.11	342,939,913.65
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	128,181,845.29	245,544,935.87
Support Fringe Categorical	21,559,359.00	21,538,074.00	21,538,074.00	43,076,148.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,825,669.56	9,326,411.25
Pupil Transportation	33,030,415.00	17,072,883.89	17,072,883.89	34,145,767.78
Driver's Education Fund (HM&CF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,866,870,370.65	1,994,879,874.23	3,861,750,244.88
LOCAL PORTION				
Basic Aid		961,187,321.79	1,025,790,126.95	1,986,977,448.74
Vocational Education		23,728,263.66	26,338,010.44	50,066,274.10
Special Education		65,421,185.99	72,256,301.19	137,677,487.18
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		13,168,082.40	14,127,286.75	27,295,369.15
Remedial Education		13,049,722.66	14,138,270.56	27,187,993.23
Employee Retirement		0.00	0.00	0.00
Social Security		0.00	0.00	0.00
Group Life Insurance		0.00	0.00	0.00
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,889,672.11	15,889,672.11	31,779,344.22
Support Fringe Categorical		0.00	0.00	0.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,136,109,577.84	1,215,529,074.46	2,351,638,652.29
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 5 - REVISED COST METHOD, LOCAL REVENUE INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	25.77	7,093,978.95	19,234,441.57	7,518,921.83	6,851,509.41	23.22
ALBEMARLE	59,710,184.39	67.59	30,551,861.88	14,065,873.17	15,092,449.34	-1,360,777.48	35.27
AMELIA	9,933,940.86	32.91	2,504,990.77	4,762,733.63	2,666,216.46	1,036,002.09	26.06
AMHERST	28,297,511.56	33.98	7,496,456.62	13,735,438.76	7,065,616.19	990,188.95	28.59
APPOMATTOX	14,505,636.09	30.56	3,450,217.06	7,454,118.04	3,601,300.99	817,153.03	28.18
ARLINGTON	95,490,471.38	80.00	54,824,974.24	13,418,686.94	27,246,810.19	2,285,577.14	16.55
AUGUSTA	59,289,091.89	43.80	20,370,013.43	24,968,567.65	13,950,510.81	-1,823,161.54	32.96
BATH	6,206,973.78	77.98	3,683,659.24	1,024,301.54	1,499,012.99	191,050.53	26.56
BLAND	8,267,846.50	23.77	1,590,762.98	4,832,818.78	1,844,264.74	1,617,245.52	32.37
BOTETOURT	26,021,255.96	42.03	8,395,413.20	11,137,380.58	6,488,462.18	102,560.76	31.36
BRUNSWICK	16,920,417.94	22.94	3,053,181.33	9,391,444.91	4,475,791.71	1,926,252.62	21.82
BUCHANAN	42,942,837.26	27.61	9,055,755.21	22,406,899.63	11,480,182.42	1,767,242.05	26.14
BUCKINGHAM	12,982,324.94	25.49	2,583,899.67	7,057,049.82	3,341,375.46	1,590,655.27	21.81
CAMPBELL	50,748,401.48	34.96	13,497,058.39	23,911,970.20	13,339,372.89	-209,436.91	29.13
CAROLINE	21,070,447.68	30.36	4,918,258.14	10,605,082.44	5,547,107.10	1,310,039.54	24.71
CARROLL	29,356,415.62	24.62	5,698,147.76	16,296,328.46	7,361,939.40	3,756,039.86	26.19
CHARLES CITY	7,365,660.02	32.41	1,909,608.22	3,731,767.43	1,724,284.37	484,303.79	26.15
CHARLOTTE	13,419,377.03	22.39	2,346,726.79	7,494,678.10	3,577,972.14	1,046,514.25	21.93
CHESTERFIELD	261,955,790.78	66.87	135,379,152.91	65,371,490.95	61,205,146.92	-28,595,122.13	58.48
CLARKE	10,715,049.65	53.46	4,319,790.57	3,560,945.75	2,834,313.33	747,087.08	29.98
CRAIG	4,455,582.35	35.68	1,224,546.63	2,119,391.53	1,111,644.19	259,361.72	28.26
CULPEPER	29,425,992.29	42.77	9,939,938.79	12,831,515.07	6,654,538.43	2,859,663.50	32.14
CUMBERLAND	8,289,467.13	24.65	1,564,284.73	4,480,176.72	2,245,005.69	1,086,384.40	21.04
DICKENSON	22,841,278.94	27.12	4,763,484.63	12,079,551.22	5,998,243.09	771,750.31	25.50
DINWIDDIE	23,212,679.66	29.66	5,188,248.40	11,703,335.83	6,321,095.44	1,163,681.26	25.79
ESSEX	10,375,929.99	39.35	3,153,464.91	4,686,710.53	2,535,754.56	1,574,865.08	27.05
FAUQUIER	50,464,462.95	76.37	29,364,697.63	8,894,635.66	12,205,129.67	-3,787,154.68	40.95
FLOYD	12,550,902.53	33.21	3,217,289.14	6,181,701.95	3,151,911.44	890,719.39	27.35
FLUVANNA	12,714,955.66	39.56	3,956,089.93	5,782,722.62	2,976,143.11	831,659.73	29.38
FRANKLIN	38,776,537.61	35.61	10,813,751.05	18,663,708.49	9,299,078.07	1,808,206.56	27.84
FREDERICK	47,733,464.68	43.51	16,132,116.44	19,534,741.88	12,066,606.35	2,940,728.24	35.02
GILES	17,720,131.85	32.62	4,409,913.01	8,687,410.64	4,622,808.20	826,150.83	26.16
GLOUCESTER	35,944,950.09	49.78	14,008,833.84	13,607,691.30	8,328,424.96	1,524,176.26	41.93
GOOCHLAND	11,908,133.06	62.48	5,703,397.04	3,324,505.56	2,880,230.46	184,750.02	30.86
GRAYSON	17,423,957.43	22.73	3,146,774.41	9,947,779.97	4,329,403.06	3,355,079.03	23.94
GREENE	11,868,864.19	36.99	3,353,098.40	5,429,295.41	3,086,470.39	1,211,823.80	35.80
HALIFAX	33,086,111.50	23.34	5,965,360.08	18,280,703.09	8,840,048.33	1,250,451.42	23.40
HANOVER	64,063,405.64	61.81	29,943,550.19	17,954,385.40	16,165,470.04	-2,522,624.55	39.35
HENRICO	193,852,277.01	66.15	95,924,835.54	47,658,866.19	50,268,575.28	-7,386,918.53	35.48
HENRY	55,728,327.26	31.89	13,540,602.59	27,216,601.79	14,971,122.88	1,489,484.66	23.94
HIGHLAND	3,426,547.59	52.06	1,408,784.53	1,286,518.88	731,244.19	969,458.87	34.18
ISLE OF WIGHT	25,310,399.84	49.60	9,491,679.95	9,264,431.44	6,554,288.46	487,761.89	33.30
KING GEORGE	15,239,664.29	40.05	4,760,014.55	6,851,374.88	3,628,274.86	840,911.74	35.13
KING & QUEEN	6,148,195.98	35.53	1,647,740.55	2,871,034.89	1,629,420.54	889,883.43	23.20
KING WILLIAM	9,316,441.27	58.84	4,295,779.91	2,931,181.65	2,089,479.71	-318,230.64	34.87
LANCASTER	10,118,887.57	52.93	4,202,863.98	3,632,922.33	2,283,101.26	1,091,347.59	25.49
LEE	30,864,960.25	16.10	3,908,378.59	18,522,600.96	8,433,980.70	2,682,361.66	22.27
LOUDOUN	93,867,926.25	80.00	57,786,950.26	14,108,835.98	21,972,140.00	-5,368,624.01	46.55
LOUISA	22,667,238.18	69.51	11,825,392.59	5,053,290.92	5,788,554.66	1,985,643.59	27.19
LUNENBURG	14,141,506.60	21.04	2,434,100.87	8,423,192.01	3,284,213.72	2,557,897.74	23.98
MADISON	11,373,705.49	38.96	3,389,976.24	5,103,836.82	2,879,892.43	1,266,825.25	26.41
MATHEWS	8,238,222.76	55.44	3,493,612.29	2,692,477.72	2,052,132.75	315,006.47	30.30
MECKLENBURG	32,460,663.26	27.17	6,947,342.84	17,580,419.43	7,932,900.99	3,551,080.42	23.53
MIDDLESEX	7,555,742.38	52.58	3,057,211.08	2,663,197.29	1,835,334.00	835,561.29	24.85
MONTGOMERY	53,561,286.43	33.24	13,636,902.55	26,077,812.07	13,846,571.82	4,625,843.88	24.09
NELSON	13,408,309.81	42.24	4,392,602.56	5,722,516.66	3,293,190.59	1,143,319.25	26.40
NEW KENT	12,231,052.09	52.50	4,814,220.03	4,187,045.07	3,229,786.99	439,376.06	39.57
NORTHAMPTON	17,122,929.23	18.68	2,512,283.45	10,119,858.61	4,490,787.18	4,122,927.79	20.63
NORTHUMBERLAND	8,770,408.56	49.71	3,349,904.40	3,290,081.50	2,130,422.65	1,310,900.16	23.48
NOTTOWAY	14,934,770.60	25.49	2,954,956.62	8,072,660.10	3,907,153.87	1,395,991.97	22.94
ORANGE	23,125,011.14	41.48	7,442,223.54	10,104,107.97	5,578,679.62	1,514,753.60	29.97
PAGE	21,090,567.23	29.21	4,872,060.79	10,857,534.24	5,360,972.19	2,313,774.43	24.90
PATRICK	17,359,664.72	29.83	4,000,816.75	8,931,288.15	4,427,559.82	621,261.97	24.39
PITTSYLVANIA	62,805,996.16	25.82	12,237,957.30	32,949,226.94	17,618,811.92	-870,201.13	21.79
POWHATAN	13,941,502.40	47.70	5,144,740.97	5,454,019.57	3,342,741.86	425,665.43	36.04
PRINCE EDWARD	15,082,344.32	26.24	3,044,286.58	7,930,373.50	4,107,684.24	2,468,003.73	22.00
PRINCE GEORGE	29,875,058.37	28.96	6,658,140.08	15,459,754.61	7,757,163.68	610,198.29	33.38
PRINCE WILLIAM	268,309,067.22	60.95	124,728,087.45	77,881,510.72	65,699,469.05	-6,463,420.23	55.68
PULASKI	36,139,856.80	30.83	8,497,191.81	18,087,982.77	9,554,682.22	138,844.99	25.73
RAPPAHANNOCK	6,690,324.05	59.77	3,130,944.07	2,036,007.39	1,523,372.59	703,561.98	32.46
RICHMOND	8,004,450.23	38.71	2,451,667.90	3,734,408.44	1,818,373.89	653,242.32	26.88

OPTION 5 - REVISED COST METHOD, LOCAL REVENUE INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	51.98	31,425,433.06	28,045,283.46	21,292,911.03	-4,680,465.51	34.44
ROCKBRIDGE	17,085,050.80	37.01	4,883,598.55	7,976,940.89	4,224,511.37	1,330,382.26	25.23
ROCKINGHAM	56,957,963.17	38.17	16,644,151.02	25,497,815.95	14,815,996.20	3,102,612.15	28.25
RUSSELL	33,980,923.57	25.28	6,783,042.30	18,849,363.31	8,348,517.95	1,011,781.26	25.31
SCOTT	28,284,224.83	23.33	5,242,535.01	16,173,599.96	6,868,089.86	2,278,249.82	29.05
SHENANDOAH	29,518,396.46	39.83	9,055,274.26	13,029,406.43	7,433,715.78	2,260,212.21	25.97
SMYTH	36,324,707.78	22.78	6,432,963.11	19,916,211.08	9,975,533.60	2,064,344.67	24.47
SOUTHAMPTON	15,662,344.52	42.29	4,831,663.08	6,337,138.65	4,493,542.79	916,133.44	25.27
SPOTTSYLVANIA	67,759,568.44	51.52	27,213,734.63	24,783,783.42	15,762,050.39	554,433.81	50.69
STAFFORD	71,584,266.10	45.54	25,354,154.19	29,196,689.01	17,033,422.90	1,365,931.92	47.32
SURRY	7,755,485.86	80.00	4,877,219.78	1,198,194.18	1,680,071.90	54,632.08	23.63
SUSSEX	10,255,442.55	31.35	2,327,813.37	4,847,132.93	3,080,496.25	793,275.18	20.06
TAZEWELL	56,100,323.28	26.98	11,843,028.52	30,221,181.44	14,036,113.32	1,939,534.76	26.51
WARREN	25,418,167.23	42.54	8,155,097.92	10,551,302.11	6,711,767.20	1,761,785.31	30.44
WASHINGTON	47,587,929.49	28.34	10,390,319.62	24,586,785.62	12,610,824.25	2,429,829.87	24.09
WESTMORELAND	11,562,036.36	41.84	3,718,883.03	4,985,644.55	2,857,508.77	569,719.33	21.91
WISE	53,882,757.63	27.39	11,413,535.61	28,533,196.00	13,936,026.02	1,231,562.02	28.59
WYTHE	29,328,401.08	25.88	5,940,988.12	15,677,313.21	7,710,099.75	3,043,052.96	25.18
YORK	56,427,014.87	43.93	19,454,217.70	23,651,289.94	13,321,507.22	2,627,097.16	39.76
Cities:							
ALEXANDRIA	63,182,882.86	80.00	34,734,751.72	8,242,554.79	20,205,576.35	4,211.14	15.48
BRISTOL	17,812,543.21	38.09	5,007,907.76	7,780,081.70	5,024,553.75	772,889.44	21.69
BUENA VISTA	7,305,066.32	23.92	1,367,872.96	4,068,398.11	1,868,795.24	299,731.36	25.87
CHARLOTTESVILLE	27,938,828.14	47.09	9,698,170.43	10,266,467.05	7,974,190.65	2,077,273.70	20.42
CHESAPEAKE	172,236,596.87	43.13	57,778,807.54	73,268,754.98	41,189,034.35	5,023,589.33	38.77
COLONIAL HEIGHTS	16,530,475.91	49.24	6,148,831.22	6,064,332.65	4,317,312.04	-152,245.31	32.04
COVINGTON	6,464,299.55	31.86	1,553,778.58	3,162,471.14	1,748,049.83	565,914.98	19.34
DANVILLE	50,101,096.21	30.08	11,807,751.67	25,670,497.73	12,622,846.80	9,515,264.53	26.76
FALLS CHURCH	8,150,714.29	80.00	4,847,922.86	1,170,276.01	2,132,515.43	289,963.43	15.80
FRANKLIN	11,174,615.94	25.73	2,401,781.06	6,296,251.12	2,476,583.76	842,834.88	31.90
FREDERICKSBURG	13,819,720.57	56.62	5,738,843.30	4,270,906.09	3,809,971.18	1,409,819.27	24.04
GALAX	7,022,033.14	33.50	1,865,764.85	3,505,807.85	1,650,460.45	1,425,004.29	22.46
HAMPTON	125,104,771.43	40.27	38,193,606.07	53,876,270.04	33,034,895.32	5,510,385.36	29.79
HARRISONBURG	17,832,835.28	50.86	6,964,075.13	6,456,943.41	4,411,816.74	2,215,284.15	23.01
HOPEWELL	23,314,835.77	32.88	5,863,599.80	11,388,992.30	6,062,243.67	598,375.97	26.12
LEXINGTON	4,448,210.72	40.52	1,407,464.80	1,984,866.85	1,055,879.07	620,867.92	24.56
LYNCHBURG	57,347,616.49	40.73	17,518,188.38	24,000,438.52	15,828,989.58	4,201,768.10	23.65
MANASSAS	30,854,381.57	80.00	19,566,242.95	4,799,724.20	6,488,414.42	-1,570,433.37	57.73
MANASSAS PARK	9,973,326.97	31.38	2,426,270.18	5,085,426.84	2,461,629.96	1,459,134.79	42.92
MARTINSVILLE	17,655,637.94	35.76	4,883,235.68	8,385,059.15	4,387,343.11	1,173,072.26	21.97
NEWPORT NEWS	171,419,719.82	38.84	50,372,660.49	75,336,939.98	45,710,119.35	12,683,639.33	31.73
NORFOLK	216,109,996.74	32.61	52,524,346.21	101,850,655.65	61,734,994.89	21,452,890.53	22.10
NORTON	5,521,572.97	28.03	1,158,602.94	2,801,138.72	1,561,831.31	506,326.03	23.99
PETERSBURG	36,425,675.66	26.21	7,308,432.02	19,142,517.30	9,974,726.34	4,121,423.64	20.21
POQUOSON	15,590,475.69	48.87	5,979,905.10	5,928,998.24	3,681,572.35	-461,511.41	49.25
PORTSMOUTH	115,262,595.46	29.23	26,806,734.20	61,215,881.20	27,239,980.06	9,509,281.26	28.71
RADFORD	9,175,684.64	37.53	2,609,001.66	4,158,968.29	2,407,714.69	307,708.98	23.39
RICHMOND	167,588,325.31	47.04	55,487,683.08	58,783,201.27	53,317,440.96	13,001,662.23	20.92
ROANOKE	78,361,596.95	38.77	20,710,042.83	30,886,714.31	26,764,839.81	3,794,634.12	18.16
SALEM	20,329,058.34	50.46	7,709,554.61	7,327,842.17	5,291,661.57	567,339.74	26.04
SOUTH BOSTON	6,363,208.38	25.69	1,716,865.81	4,676,175.45	1,970,167.13	1,441,268.57	26.17
STAUNTON	20,296,697.05	36.78	5,156,680.54	8,307,674.00	6,832,342.52	4,156,860.52	22.65
SUFFOLK	55,999,913.34	34.97	14,789,815.10	25,908,406.36	15,301,691.89	4,081,038.25	28.73
VIRGINIA BEACH	406,915,744.87	46.75	145,284,607.15	159,062,607.10	102,568,530.62	24,181,937.71	36.58
WAYNESBORO	16,349,576.94	42.43	5,229,869.07	6,822,211.16	4,297,496.72	1,096,049.87	26.49
WINCHESTER	19,966,471.02	47.54	7,296,552.28	7,347,268.41	5,322,650.32	2,154,912.74	26.21
Towns:							
COLONIAL BEACH	3,423,500.36	41.84	1,149,823.45	1,541,013.67	732,663.24	350,400.91	33.43
WEST POINT	4,306,580.12	58.84	2,037,007.09	1,385,892.47	883,680.56	-603,028.97	56.99
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	33.04	4,777,363.07	9,699,183.80	4,957,043.76	-347,896.44	28.99
BEDFORD COUNTY-CITY	48,402,229.70	44.50	15,973,545.45	20,104,201.48	12,324,482.76	2,155,968.24	32.05
FAIRFAX COUNTY-CITY	866,721,359.61	80.00	518,955,373.40	126,133,427.67	221,632,558.55	-25,888,279.79	39.90
GREENSVILE/EMPORIA	18,156,203.14	22.69	3,654,095.94	9,973,652.08	4,528,455.12	2,134,637.21	22.51
JAMES CITY/WILLIAMSBURG	40,092,909.59	61.29	18,630,571.17	10,399,972.06	11,062,366.36	1,482,176.41	37.75

Summary of Option 6

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- EQUALIZED EFFORT INDEX
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 50 PERCENT
- CAP ON LOCAL SHARES AT 80 PERCENT
- NO INCOME ADJUSTMENT IN CALCULATION OF LOCAL CONTRIBUTION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 6 - REVISED COST METHOD, EQUALIZED EFFORT INDEX, NO CHANGE IN STATE SHARE

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Increase in Funding Over: Prev. Biennium
Total State Funds	3,959,283,261.00	261,489,507.00	414,118,596.00
State General Fund	3,062,300,265.00	220,598,511.00	333,924,933.00
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS	
Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES
FRINGE BENEFIT COSTS	
Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %
SUPPORT COSTS	
Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SDH Nursing
DISTRIBUTION	
Method of Equalization	Equalized Effort Index w/o Income Adj.
Proxy for Other Revenues	Not Applicable
Standardization of Index	Population = 0.0 % ADM = 0.0 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Nominal State Share: Year Two
Basic Aid	YES	50.00 %	50.00 %
Vocational Education	YES	50.00 %	50.00 %
Gifted and Talented	YES	50.00 %	50.00 %
Remedial Education	YES	50.00 %	50.00 %
Special Education	YES	50.00 %	50.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	50.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	NO	100.00 %	100.00 %
Non-Instructional Fringe	NO	100.00 %	100.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.12	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,1[illegible]5	6,158,566.37
Special Education Positions	116,085,921.15	128,753,1[illegible]4	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	999,913,493.40	1,065,060,221.87	2,064,973,715.27
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,714,225.12	30,379,443.36	58,093,668.48
Special Education	36,533,926.00	64,371,119.50	71,011,967.57	135,383,087.08
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,594,410.51	14,536,364.33	28,130,774.83
Remedial Education	20,230,881.00	22,393,601.83	23,984,506.80	46,378,108.63
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	177,443,891.11	342,939,913.65
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	128,181,845.29	245,544,935.87
Support Fringe Categorical	21,559,359.00	21,538,074.00	21,538,074.00	43,076,148.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,825,669.56	9,326,411.25
Pupil Transportation	33,030,415.00	17,335,198.28	17,283,537.37	34,618,735.64
Driver's Education Fund (HM&CF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,911,805,183.14	2,047,478,077.86	3,959,283,261.00
LOCAL PORTION				
Basic Aid		919,232,303.00	976,248,549.08	1,895,480,852.08
Vocational Education		23,797,493.59	26,581,903.59	50,379,397.18
Special Education		62,410,808.71	69,174,260.93	131,585,069.64
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		12,641,564.42	13,503,149.77	26,144,714.19
Remedial Education		13,799,908.67	14,754,582.38	28,554,491.05
Employee Retirement		0.00	0.00	0.00
Social Security		0.00	0.00	0.00
Group Life Insurance		0.00	0.00	0.00
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,627,357.72	15,679,018.63	31,306,376.36
Support Fringe Categorical		0.00	0.00	0.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,091,174,765.35	1,162,930,870.82	2,254,105,636.17
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 6 - REVISED COST METHOD, EQUALIZED EFFORT INDEX, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	36.34	9,929,078.18	16,399,342.34	7,518,921.83	4,016,410.17	32.50
ALBEMARLE	59,710,184.39	61.58	28,187,425.91	16,430,309.14	15,092,449.34	1,003,658.48	32.54
AMELIA	9,933,940.86	42.33	3,160,662.98	4,107,061.41	2,666,216.46	380,329.87	32.88
AMHERST	28,297,511.56	39.53	8,588,372.90	12,643,522.48	7,065,616.19	-101,727.33	32.75
APPOMATTOX	14,505,636.09	35.51	3,981,110.45	6,923,224.65	3,601,300.99	286,259.64	32.51
ARLINGTON	95,490,471.38	80.00	54,824,974.24	13,418,686.94	27,246,810.19	2,285,577.14	16.55
AUGUSTA	59,289,091.89	43.48	20,149,945.85	25,188,635.23	13,950,510.81	-1,603,093.96	32.60
BATH	6,206,973.78	80.00	3,776,228.20	930,367.24	1,500,378.34	98,481.58	27.23
BLAND	8,267,846.50	24.54	1,613,273.53	4,810,308.24	1,844,264.74	1,594,734.97	32.83
BOTETOURT	26,021,255.96	43.77	8,654,147.07	10,878,646.71	6,488,462.18	-156,173.11	32.33
BRUNSWICK	16,920,417.94	36.09	4,613,472.81	7,831,153.43	4,475,791.71	365,961.14	32.97
BUCHANAN	42,942,837.26	35.80	11,296,219.65	20,166,435.19	11,480,182.42	-473,222.39	32.60
BUCKINGHAM	12,982,324.94	39.45	3,858,426.62	5,782,522.86	3,341,375.46	316,128.32	32.56
CAMPBELL	50,748,401.48	39.67	15,067,256.53	22,341,772.06	13,339,372.89	-1,779,635.05	32.52
CAROLINE	21,070,447.68	41.50	6,490,586.56	9,032,754.02	5,547,107.10	-262,288.88	32.61
CARROLL	29,356,415.62	31.63	7,147,873.85	14,846,602.36	7,361,939.40	2,306,313.77	32.86
CHARLES CITY	7,365,660.02	41.98	2,393,312.50	3,248,063.15	1,724,284.37	599.52	32.77
CHARLOTTE	13,419,377.03	35.22	3,515,201.27	6,326,203.62	3,577,972.14	-121,960.24	32.85
CHESTERFIELD	261,955,790.78	35.87	75,479,820.51	125,270,823.35	61,205,146.92	31,304,210.27	32.61
CLARKE	10,715,049.65	58.68	4,715,860.19	3,164,876.13	2,834,313.33	351,017.45	32.72
CRAIG	4,455,582.35	41.64	1,397,886.34	1,946,051.82	1,111,644.19	86,022.01	32.26
CULPEPER	29,425,992.29	42.36	9,974,709.83	12,796,744.03	6,654,538.43	2,824,892.46	32.26
CUMBERLAND	8,289,467.13	39.72	2,412,477.89	3,631,983.55	2,245,005.69	238,191.24	32.45
DICKENSON	22,841,278.94	36.01	6,082,572.60	10,760,463.25	5,998,243.09	-547,337.66	32.56
DINWIDDIE	23,212,679.66	38.14	6,516,733.82	10,374,850.41	6,321,095.44	-164,804.16	32.39
ESSEX	10,375,929.99	46.71	3,742,416.27	4,097,759.16	2,535,754.56	985,913.72	32.10
FAUQUIER	50,464,462.95	58.56	22,946,997.41	15,312,335.88	12,205,129.67	2,630,545.54	32.00
FLOYD	12,550,902.53	39.83	3,805,817.87	5,593,173.22	3,151,911.44	302,190.66	32.35
FLUVANNA	12,714,955.66	44.17	4,362,040.47	5,376,772.08	2,976,143.11	425,709.19	32.40
FRANKLIN	38,776,537.61	41.67	12,579,710.33	16,897,749.21	9,299,078.07	42,247.28	32.39
FREDERICK	47,733,464.68	41.00	15,423,428.86	20,243,429.46	12,066,606.35	3,649,415.81	33.48
GILES	17,720,131.85	41.47	5,451,767.61	7,645,556.05	4,622,808.20	-215,703.76	32.34
GLOUCESTER	35,944,950.09	37.27	10,921,501.89	16,695,023.24	8,328,424.96	4,611,508.20	32.69
GOOCHLAND	11,908,133.06	65.19	5,919,359.00	3,108,543.60	2,880,230.46	-31,211.93	32.03
GRAYSON	17,423,957.43	32.09	4,312,455.03	8,782,099.34	4,329,403.06	2,189,398.40	32.81
GREENE	11,868,864.19	33.50	3,081,387.80	5,701,006.00	3,086,470.39	1,483,534.39	32.90
HALIFAX	33,086,111.50	33.86	8,335,681.10	15,910,382.07	8,840,048.33	-1,119,869.60	32.69
HANOVER	64,063,405.64	50.23	24,570,446.58	23,327,489.02	16,165,470.04	2,850,479.06	32.29
HENRICO	193,852,277.01	59.97	86,940,398.78	56,643,302.96	50,268,575.28	1,597,518.23	32.16
HENRY	55,728,327.26	44.98	18,399,968.58	22,357,235.80	14,971,122.88	-3,369,881.33	32.54
HIGHLAND	3,426,547.59	48.06	1,295,914.84	1,400,496.61	730,136.14	1,082,328.55	31.44
ISLE OF WIGHT	25,310,399.84	48.25	9,247,830.32	9,508,281.07	6,554,288.46	731,611.52	32.45
KING GEORGE	15,239,664.29	36.79	4,401,631.91	7,209,757.51	3,628,274.86	1,199,294.37	32.48
KING & QUEEN	6,148,195.98	50.29	2,276,143.98	2,242,631.46	1,629,420.54	261,480.00	32.05
KING WILLIAM	9,316,441.27	53.80	3,941,168.00	3,285,793.56	2,089,479.71	36,381.27	31.99
LANCASTER	10,118,887.57	67.01	5,250,687.70	2,585,098.61	2,283,101.26	43,523.87	31.84
LEE	30,864,960.25	25.16	5,817,583.73	16,613,395.83	8,433,980.70	773,156.52	33.15
LOUDOUN	93,867,926.25	54.38	39,992,318.26	31,903,467.98	21,972,140.00	12,426,007.98	32.22
LOUISA	22,667,238.18	80.00	13,564,380.69	3,314,302.83	5,788,554.66	246,655.49	31.18
LUNENBURG	14,141,506.60	29.88	3,348,262.40	7,509,030.47	3,284,213.72	1,643,736.20	32.99
MADISON	11,373,705.49	47.86	4,127,897.38	4,365,915.68	2,879,892.43	528,904.11	32.15
MATHEWS	8,238,222.76	59.23	3,730,602.40	2,453,778.36	2,053,842.00	78,016.36	32.36
MECKLENBURG	32,460,663.26	38.06	9,579,215.24	14,948,547.03	7,932,900.99	919,208.03	32.44
MIDDLESEX	7,555,742.38	68.02	3,933,775.70	1,786,632.67	1,835,334.00	-41,003.33	31.98
MONTGOMERY	53,561,286.43	44.80	18,275,851.57	21,438,863.04	13,846,571.82	-13,105.14	32.28
NELSON	13,408,309.81	52.35	5,386,442.24	4,728,676.98	3,293,190.59	149,479.57	32.38
NEW KENT	12,231,052.09	42.39	3,973,364.83	5,027,900.27	3,229,786.99	1,280,231.26	32.66
NORTHAMPTON	17,122,929.23	30.50	3,977,810.04	8,654,332.02	4,490,787.18	2,657,401.19	32.67
NORTHUMBERLAND	8,770,408.56	68.30	4,538,877.54	2,101,108.36	2,130,422.65	121,927.01	31.82
NOTTOWAY	14,934,770.60	37.71	4,203,738.42	6,823,878.31	3,907,153.87	147,210.18	32.63
ORANGE	23,125,011.14	44.64	8,009,744.66	9,536,586.86	5,578,679.62	947,232.48	32.25
PAGE	21,090,567.23	40.01	6,482,302.07	9,247,292.97	5,360,972.19	703,533.16	33.13
PATRICK	17,359,664.72	40.68	5,311,083.98	7,621,020.92	4,427,559.82	-689,005.26	32.37
PITTSYLVANIA	62,805,996.16	39.57	18,250,980.17	26,936,204.06	17,618,811.92	-6,883,224.01	32.49
POWHATAN	13,941,502.40	42.67	4,613,945.13	5,984,815.41	3,342,741.86	956,461.27	32.32
PRINCE EDWARD	15,082,344.32	40.18	4,530,466.79	6,444,193.29	4,107,684.24	981,823.52	32.74
PRINCE GEORGE	29,875,058.37	28.95	6,564,803.67	15,553,091.02	7,757,163.68	703,534.70	32.91
PRINCE WILLIAM	268,309,067.22	34.67	72,886,446.51	129,723,151.65	65,699,469.05	45,378,220.70	32.54
PULASKI	36,139,856.80	40.33	10,716,608.45	15,868,566.13	9,554,682.22	-2,080,571.64	32.45
RAPPAHANNOCK	6,690,324.05	59.45	3,108,911.32	2,058,197.54	1,523,215.19	725,594.73	32.23
RICHMOND	8,004,450.23	46.85	2,931,873.83	3,254,202.51	1,818,373.89	173,036.40	32.15

OPTION 6 - REVISED COST METHOD, EQUALIZED EFFORT INDEX, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	49.05	29,470,780.94	29,999,935.58	21,292,911.03	-2,725,813.39	32.30
RUSSELL	17,085,050.80	47.82	6,222,156.92	6,638,382.51	4,224,511.37	-8,176.12	32.14
ROCKINGHAM	56,957,963.17	44.53	19,245,926.35	22,896,040.62	14,815,996.20	500,836.82	32.67
RUSSELL	33,980,923.57	33.78	8,746,486.80	16,885,918.81	8,348,517.95	-951,663.24	32.64
SCOTT	28,284,224.83	26.88	5,938,269.05	15,477,865.91	6,868,089.86	1,582,515.77	32.90
SHENANDOAH	29,518,396.46	50.08	11,285,518.09	10,799,162.60	7,433,715.78	29,968.38	32.36
SMYTH	36,324,707.78	32.30	8,741,364.75	17,607,809.44	9,975,533.60	-244,056.97	33.25
SOUTHAMPTON	15,662,344.52	54.78	6,139,192.03	5,029,609.70	4,493,542.79	-391,395.51	32.11
SPOTTSYLVANIA	67,759,568.44	31.81	17,590,265.26	34,407,252.79	15,762,050.39	10,177,903.18	32.76
STAFFORD	71,584,266.10	30.64	17,621,808.55	36,929,034.64	17,033,422.90	9,098,277.55	32.89
SURRY	7,755,485.86	80.00	4,877,219.78	1,198,194.18	1,680,071.90	54,632.08	23.63
SUSSEX	10,255,442.55	52.88	3,727,143.15	3,447,803.15	3,080,496.25	-606,054.60	32.11
TAZEWELL	56,100,323.28	34.20	14,579,480.21	27,484,729.76	14,036,113.32	-796,916.92	32.64
WARREN	25,418,167.23	45.11	8,682,413.72	10,023,986.31	6,711,767.20	1,234,469.51	32.41
WASHINGTON	47,587,929.49	39.62	14,089,973.39	20,887,131.85	12,610,824.25	-1,269,823.90	32.67
WESTMORELAND	11,562,036.36	62.49	5,416,150.15	3,288,377.43	2,857,508.77	-1,127,547.79	31.90
WISE	53,882,757.63	31.99	13,077,464.16	26,869,267.45	13,936,026.02	-432,366.53	32.76
WYTHE	29,328,401.08	34.93	7,811,592.52	13,806,708.81	7,710,099.75	1,172,448.56	33.10
YORK	56,427,014.87	35.86	16,154,823.13	26,950,684.51	13,321,507.22	5,926,491.74	33.02
Cities:							
ALEXANDRIA	63,182,882.86	80.00	34,734,751.72	8,242,554.79	20,205,576.35	4,211.14	15.48
BRISTOL	17,812,543.21	57.60	7,408,466.70	5,379,522.76	5,024,553.75	-1,627,669.49	32.09
BUENA VISTA	7,305,066.32	31.23	1,734,613.10	3,701,657.98	1,868,795.24	-67,008.78	32.80
CHARLOTTESVILLE	27,938,828.14	76.51	15,348,495.25	4,616,142.23	7,974,190.65	-3,573,051.11	32.31
CHESAPEAKE	172,236,596.87	35.61	48,609,560.73	82,438,001.80	41,189,034.35	14,192,836.14	32.61
COLONIAL HEIGHTS	16,530,475.91	50.12	6,239,359.39	5,973,804.48	4,317,312.04	-242,773.48	32.51
COVINGTON	6,464,299.55	55.89	2,575,686.10	2,140,563.62	1,748,049.83	-455,992.55	32.06
DANVILLE	50,101,096.21	37.83	14,501,071.56	22,977,177.85	12,622,846.80	6,821,944.65	32.86
FALLS CHURCH	8,150,714.29	80.00	4,847,922.86	1,170,276.01	2,132,515.43	289,963.43	15.80
FRANKLIN	11,174,615.94	28.13	2,563,958.29	6,134,073.90	2,476,583.76	680,657.65	34.05
FREDERICKSBURG	13,819,720.57	75.28	7,594,912.92	2,414,836.47	3,809,971.18	-446,250.36	31.82
GALAX	7,022,033.14	49.39	2,685,980.30	2,685,592.39	1,650,460.45	604,788.84	32.33
HAMPTON	125,104,771.43	44.13	41,777,156.30	50,292,719.81	33,034,895.32	1,926,835.13	32.59
HARRISONBURG	17,832,835.28	71.02	9,699,639.45	3,721,379.09	4,411,816.74	-520,280.17	32.05
HOPEWELL	23,314,835.77	41.41	7,272,082.84	9,980,509.26	6,062,243.67	-810,107.07	32.40
LEXINGTON	4,448,210.72	53.41	1,839,139.44	1,653,192.21	1,055,879.07	189,193.28	32.09
LYNCHBURG	57,347,616.49	57.39	24,077,069.32	17,441,557.58	15,828,989.58	-2,357,112.84	32.51
MANASSAS	30,854,381.57	42.66	10,916,824.55	13,449,142.60	6,488,414.42	7,078,985.02	32.21
MANASSAS PARK	9,973,326.97	23.95	1,859,945.02	5,651,751.99	2,461,629.96	2,025,459.95	32.90
MARTINSVILLE	17,655,637.94	53.61	7,132,555.11	6,135,739.71	4,387,343.11	-1,076,247.17	32.09
NEWPORT NEWS	171,419,719.82	39.80	51,935,693.79	73,773,906.68	45,710,119.35	11,120,606.03	32.72
NORFOLK	216,109,996.74	48.97	77,215,499.24	77,159,502.61	61,734,994.89	-3,238,262.51	32.49
NORTON	5,521,572.97	39.25	1,571,053.58	2,388,688.08	1,561,831.31	93,875.39	32.53
PETERSBURG	36,425,675.66	44.26	11,767,494.58	14,683,454.73	9,974,726.34	-337,638.92	32.54
POQUOSON	15,590,475.69	32.23	4,093,103.17	7,815,800.17	3,681,572.35	1,425,290.53	33.71
PORTSMOUTH	115,262,595.46	33.69	30,587,446.90	57,435,168.50	27,239,980.06	5,728,568.56	32.76
RADFORD	9,175,684.64	52.82	3,581,980.49	3,185,989.47	2,407,714.69	-665,269.84	32.11
RICHMOND	167,588,325.31	75.53	85,830,074.83	28,440,809.52	53,317,440.96	-17,340,729.52	32.36
ROANOKE	78,361,596.95	72.06	36,569,637.33	14,953,587.54	26,838,372.08	-12,064,960.38	32.07
SALEM	20,329,058.34	63.15	9,462,492.83	5,574,903.94	5,291,661.57	-1,185,598.49	31.96
SOUTH BOSTON	8,363,208.38	32.71	2,142,155.01	4,250,886.25	1,970,167.13	1,015,979.37	32.65
STAUNTON	20,296,697.05	53.68	7,410,152.90	6,054,201.64	6,832,342.52	1,903,388.16	32.55
SUFFOLK	55,999,913.34	40.32	16,881,264.59	23,816,956.87	15,301,691.89	1,989,588.75	32.79
VIRGINIA BEACH	406,915,744.87	40.84	129,255,354.45	175,091,859.80	102,568,530.62	40,211,190.42	32.55
WAYNESBORO	16,349,576.94	51.59	6,347,294.50	5,704,785.72	4,297,496.72	-21,375.56	32.15
WINCHESTER	19,966,471.02	61.61	9,304,034.19	5,339,786.50	5,322,650.32	147,430.83	33.42
Towns:							
COLONIAL BEACH	3,423,500.36	62.49	1,673,183.21	1,015,902.77	734,414.39	-172,958.84	48.65
WEST POINT	4,306,580.12	53.80	1,869,342.16	1,553,557.40	883,680.56	-435,364.04	52.30
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	38.49	5,707,982.85	8,768,564.03	4,957,043.76	-1,278,516.21	32.80
BEDFORD COUNTY-CITY	48,402,229.70	45.13	16,777,844.47	19,299,902.47	12,324,482.76	1,351,669.23	32.47
FAIRFAX COUNTY-CITY	866,721,359.61	64.23	421,215,733.49	223,873,067.57	221,632,558.55	71,851,360.12	32.24
GREENSVILLE/EMPORIA	18,156,203.14	35.19	4,842,797.79	8,784,950.23	4,528,455.12	945,935.35	33.16
JAMES CITY/WILLIAMSBURG	40,092,909.59	50.92	16,335,128.28	12,695,414.95	11,062,366.36	3,777,619.31	32.30

Summary of Option 7

- 51 BASIC, 57 TOTAL INSTRUCTIONAL POSITIONS AS A FLOOR, RECOGNIZE REQUIRED POSITIONS ABOVE 57 PER 1000 ADM
- PREVAILING SALARY INCREASED BY 5.8% IN EACH YEAR TO MAINTAIN POSITION ABOVE MEDIAN STATE
- COST OF COMPETING ADJUSTMENT BASED ON RECOGNITION OF SALARY DIFFERENTIALS FOR STATE EMPLOYEES
- NEW PUPIL TRANSPORTATION COST METHOD
- INCLUDE COSTS OF PROPOSED BOARD OF EDUCATION STANDARDS
- EQUALIZED EFFORT INDEX
- BASIC AID, GIFTED AND TALENTED, SPECIAL EDUCATION, VOCATIONAL EDUCATION, REMEDIAL EDUCATION, AND PUPIL TRANSPORTATION EQUALIZED WITH STATE SHARE OF 50 PERCENT
- CAP ON LOCAL SHARES AT 80 PERCENT
- INCOME ADJUSTMENT USED IN CALCULATION OF LOCAL CONTRIBUTION
- DISTRIBUTION OF SALES TAX ON THE BASIS OF SCHOOL-AGE POPULATION

OPTION 7 - REVISED COST METHOD, EQUALIZED EFFORT INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

ANALYSIS OF THE STANDARDS OF QUALITY COSTS AND APPORTIONMENT TO STATE AND LOCAL GOVERNMENTS

TABLE 1: SUMMARY OF STATE FUNDING

Funding Source	Total Biennium Funding	Increase in Funding Over: Base Budget	Prev. Biennium
Total State Funds	3,898,881,410.27	201,087,656.27	353,716,745.27
State General Fund	3,001,898,414.27	160,196,660.27	273,523,082.27
State Sales Tax	893,899,996.00	98,699,996.00	124,578,663.00
State Literary Fund	0.00	-56,600,000.00	-43,300,000.00
State Highway Fund	3,083,000.00	-1,209,000.00	-1,085,000.00

TABLE 2: SUMMARY OF OPTION

INSTRUCTIONAL PERSONNEL COSTS

Positions Per 1000 ADM	Vary by Division w/ Floors & Ceilings
Instructional Salary Base	Statewide Prevailing
Salary Increase (1988 to 1989)	5.800 %
Salary Increase (1989 to 1990)	5.800 %
Salary Cost of Competing	12.530 % (Northern Virginia Only)
Application of Proposed Standards	YES

FRINGE BENEFIT COSTS

Pick-up of Employee Share	
VSRS	0.0 %
Group Life Insurance	0.0 %
Non-Instructional Positions	Statewide Prevailing
Non-Instructional Salaries	Statewide Prevailing
Non-Instructional Increase (1988 to 1989)	5.800 %
Non-Instructional Increase (1989 to 1990)	5.800 %

SUPPORT COSTS

Pupil Transportation	Vary by Transportation Group
School Nursing	Vary by Division Less SDH Nursing

DISTRIBUTION

Method of Equalization	Equalized Effort Index w/ Income Adj.
Proxy for Other Revenues	Not Applicable
Standardization of Index	Population = 0.0 % ADM = 0.0 %
Cap on Local Shares	80.0 %

SOQ Account	Equalized ?	Nominal State Share: Year One	Year Two
Basic Aid	YES	50.00 %	50.00 %
Vocational Education	YES	50.00 %	50.00 %
Gifted and Talented	YES	50.00 %	50.00 %
Remedial Education	YES	50.00 %	50.00 %
Special Education	YES	50.00 %	50.00 %
Special Ed. Tuition	NO	60.00 %	60.00 %
Special Ed. Institution	NO	100.00 %	100.00 %
Special Ed. Pre-School	NO	60.00 %	60.00 %
Pupil Transportation	YES	50.00 %	50.00 %
Other Categorical	NO	100.00 %	100.00 %
Instructional Fringe	NO	100.00 %	100.00 %
Non-Instructional Fringe	NO	100.00 %	100.00 %

SPECIAL NOTES:

Source: Funding the Standards of Quality: Analysis of Costs and Distribution
Joint Legislative Audit and Review Commission

TABLE 3: COSTS OF THE STANDARDS OF QUALITY

INSTRUCTIONAL PERSONNEL SALARIES	FY 1989	FY 1990	Biennium Total
Basic Instructional Positions	1,355,217,481.44	1,447,244,480.13	2,802,461,961.57
Basic Aides	3,010,427.73	3,148,138.65	6,158,566.37
Special Education Positions	116,085,921.15	128,753,161.84	244,839,082.99
Special Education Aides	10,696,007.06	11,433,066.66	22,129,073.72
Vocational Education Positions	51,511,718.71	56,961,346.95	108,473,065.66
Gifted & Talented Instructional Positions	26,235,974.93	28,039,514.09	54,275,489.02
Remedial Education Positions	30,571,941.83	32,683,491.86	63,255,433.69
Instructional Fringe Benefits (VSRS, SS, GL, Health)	359,691,386.62	386,777,294.71	746,468,681.33
Total for Instructional Personnel	1,953,020,859.47	2,095,040,494.89	4,048,061,354.36
SOQ SUPPORT			
Basic Operating Support	933,897,319.17	990,877,543.94	1,924,774,863.11
Support Fringe Benefits	87,281,225.97	93,447,972.87	180,729,198.83
Special Education Support	28,780,543.87	31,042,936.99	59,823,480.87
Total for Support	1,049,959,089.01	1,115,368,453.79	2,165,327,542.81
Total Costs of Standards of Quality	3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

TABLE 4: APPORTIONMENT OF SOQ COSTS TO STATE AND LOCAL GOVERNMENTS

STATE PORTION	FY 1988 Actual	FY 1989	FY 1990	Biennium Total
Basic Aid (General Fund)	994,801,595.00	972,243,925.31	1,035,585,330.14	2,007,829,255.46
Basic Aid (Dedicated Sales Tax)	397,600,000.00	429,699,995.00	464,200,001.00	893,899,996.00
Vocational Education	33,572,125.00	27,931,270.61	30,742,687.89	58,673,958.50
Special Education	36,533,926.00	62,234,999.68	69,031,934.93	131,266,934.61
Special Education Support	17,334,788.00	19,932,603.64	21,500,948.55	41,433,552.19
Gifted and Talented	12,533,924.00	13,227,524.39	14,142,719.21	27,370,243.60
Remedial Education	20,230,881.00	23,057,345.99	24,587,496.07	47,644,842.06
Employee Retirement (General Fund)	131,373,601.00	165,496,022.54	177,443,891.11	342,939,913.65
Employee Retirement (Literary Fund)	28,300,000.00	0.00	0.00	0.00
Social Security	104,298,453.00	117,363,090.58	128,181,845.29	245,544,935.87
Support Fringe Categorical	21,559,359.00	21,538,074.00	21,538,074.00	43,076,148.00
Group Life Insurance	4,105,431.00	4,500,741.69	4,825,669.56	9,326,411.25
Pupil Transportation	33,030,415.00	17,199,062.39	17,191,942.58	34,391,004.97
Driver's Education Fund (HMSCF)	2,146,000.00	1,752,000.00	1,331,000.00	3,083,000.00
Other Categorical Programs	11,476,379.00	6,200,607.06	6,200,607.06	12,401,214.11
State SOQ Total	1,848,896,877.00	1,882,377,262.88	2,016,504,147.39	3,898,881,410.27
LOCAL PORTION				
Basic Aid		946,901,871.09	1,005,723,440.80	1,952,625,311.89
Vocational Education		23,580,448.10	26,218,659.06	49,799,107.16
Special Education		64,546,928.54	71,154,293.57	135,701,222.10
Special Education Support		8,847,940.23	9,541,988.44	18,389,928.67
Gifted and Talented		13,008,450.54	13,896,794.89	26,905,245.42
Remedial Education		13,136,164.50	14,151,593.12	27,287,757.62
Employee Retirement		0.00	0.00	0.00
Social Security		0.00	0.00	0.00
Group Life Insurance		0.00	0.00	0.00
Direct Revenues		34,817,389.00	37,447,418.00	72,264,807.00
Pupil Transportation		15,763,493.61	15,770,613.42	31,534,107.03
Support Fringe Categorical		0.00	0.00	0.00
Other Categorical Programs		0.00	0.00	0.00
Local SOQ Total		1,120,602,685.61	1,193,904,801.29	2,314,507,486.90
Total Costs Allocated to State and Local Governments		3,002,979,948.49	3,210,408,948.68	6,213,388,897.17

OPTION 7 - REVISED COST METHOD, EQUALIZED EFFORT INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
Counties:							
ACCOMACK	33,847,342.36	23.76	6,636,212.02	19,692,208.50	7,518,921.83	7,309,276.34	21.72
ALBEMARLE	59,710,184.39	66.64	30,401,047.93	14,216,687.12	15,092,449.34	-1,209,963.54	35.09
AMELIA	9,933,940.86	32.77	2,484,610.13	4,783,114.27	2,666,216.46	1,056,382.73	25.85
AMHERST	28,297,511.56	36.92	8,047,875.11	13,184,020.26	7,065,616.19	438,770.45	30.69
APPOMATTOX	14,505,636.09	29.92	3,381,365.73	7,522,969.37	3,601,300.99	886,004.36	27.61
ARLINGTON	95,490,471.38	80.00	54,824,974.24	13,418,686.94	27,246,810.19	2,285,577.14	16.55
AUGUSTA	59,289,091.89	41.30	19,184,686.56	26,153,894.52	13,950,510.81	-637,834.67	31.04
BATH	6,206,973.78	72.95	3,407,999.07	1,304,052.07	1,494,922.64	466,710.71	24.58
BLAND	8,267,846.50	20.20	1,342,762.17	5,080,819.59	1,844,264.74	1,865,246.33	27.32
BOTETOURT	26,021,255.96	44.35	8,765,723.44	10,767,070.33	6,488,462.18	-267,749.48	32.74
BRUNSWICK	16,920,417.94	24.48	3,211,878.63	9,232,747.61	4,475,791.71	1,767,555.32	22.95
BUCHANAN	42,942,837.26	31.21	9,913,049.60	21,549,605.24	11,480,182.42	909,947.66	28.61
BUCKINGHAM	12,982,324.94	27.24	2,716,748.50	6,924,200.98	3,341,375.46	1,457,806.44	22.93
CAMPBELL	50,748,401.48	37.96	14,443,087.18	22,965,941.41	13,339,372.89	-1,155,465.69	31.17
CAROLINE	21,070,447.68	32.98	5,219,703.48	10,303,637.10	5,547,107.10	1,008,594.20	26.23
CARROLL	29,356,415.62	24.56	5,634,023.12	16,360,453.09	7,361,939.40	3,820,164.49	25.90
CHARLES CITY	7,365,660.02	32.64	1,887,526.16	3,753,849.49	1,724,284.37	506,385.86	25.84
CHARLOTTE	13,419,377.03	24.59	2,509,277.78	7,332,127.11	3,577,972.14	883,963.26	23.45
CHESTERFIELD	261,955,790.78	52.16	108,194,567.73	92,556,076.13	61,205,146.92	-1,410,536.95	46.74
CLARKE	10,715,049.65	54.00	4,358,269.75	3,522,466.56	2,834,313.33	708,607.89	30.24
CRAIG	4,455,582.35	38.29	1,289,514.66	2,054,423.49	1,111,644.19	194,393.68	29.76
CULPEPER	29,425,992.29	37.21	8,804,385.87	13,967,067.99	6,654,538.43	3,995,216.42	28.47
CUMBERLAND	8,289,467.13	27.28	1,687,815.82	4,356,645.63	2,245,005.69	962,853.32	22.70
DICKENSON	22,841,278.94	30.56	5,201,912.28	11,641,123.57	5,998,243.09	333,322.66	27.85
DINWIDDIE	23,212,679.66	31.29	5,392,340.48	11,499,243.75	6,321,095.44	959,589.18	26.80
ESSEX	10,375,929.99	35.33	2,858,251.59	4,981,923.85	2,535,754.56	1,870,078.40	24.51
FAUQUIER	50,464,462.95	67.52	26,359,820.11	11,899,513.18	12,205,129.67	-782,277.15	36.76
FLOYD	12,550,902.53	33.42	3,216,368.53	6,182,622.57	3,151,911.44	891,640.01	27.34
FLUVANNA	12,714,955.66	38.03	3,778,871.76	5,959,940.79	2,976,143.11	1,008,877.90	28.07
FRANKLIN	38,776,537.61	35.94	10,917,306.41	18,560,153.13	9,299,078.07	1,704,651.20	28.11
FREDERICK	47,733,464.68	38.74	14,633,654.00	21,033,204.32	12,066,606.35	4,439,190.67	31.77
GILES	17,720,131.85	37.56	4,956,978.08	8,140,345.57	4,622,808.20	279,085.77	29.40
GLOUCESTER	35,944,950.09	38.65	11,306,953.07	16,309,572.06	8,328,424.96	4,226,057.02	33.84
GOOCHLAND	11,908,133.06	62.09	5,645,708.73	3,382,193.87	2,880,230.46	242,438.34	30.55
GRAYSON	17,423,957.43	22.60	3,102,256.38	9,992,298.00	4,329,403.06	3,399,597.05	23.60
GREENE	11,868,864.19	31.40	2,898,237.77	5,884,156.04	3,086,470.39	1,666,684.43	30.95
HALIFAX	33,086,111.50	26.10	6,516,594.65	17,729,468.52	8,840,048.33	699,216.85	25.56
HANOVER	64,063,405.64	58.56	28,499,784.95	19,398,150.64	16,165,470.04	-1,078,859.31	37.45
HENRICO	193,852,277.01	69.31	100,048,218.14	43,535,483.59	50,268,575.28	-11,510,301.13	37.01
HENRY	55,728,327.26	37.47	15,459,156.37	25,298,048.01	14,971,122.88	-429,069.11	27.34
HIGHLAND	3,426,547.59	38.69	1,048,199.09	1,650,642.32	727,706.18	1,330,044.30	25.43
ISLE OF WIGHT	25,310,399.84	48.95	9,376,649.67	9,379,461.71	6,554,288.46	602,792.17	32.90
KING GEORGE	15,239,664.29	36.23	4,337,290.11	7,274,099.31	3,628,274.86	1,263,636.18	32.01
KING & QUEEN	6,148,195.98	37.72	1,723,766.61	2,795,008.83	1,629,420.54	813,857.37	24.27
KING WILLIAM	9,316,441.27	51.29	3,761,992.10	3,464,969.46	2,089,479.71	215,557.17	30.54
LANCASTER	10,118,887.57	54.90	4,322,926.26	3,512,860.05	2,283,101.26	971,285.31	26.21
LEE	30,864,960.25	17.52	4,157,614.92	18,273,364.63	8,433,980.70	2,433,125.33	23.69
LOUDOUN	93,867,926.25	77.81	56,642,753.85	15,253,032.39	21,972,140.00	-4,224,427.61	45.63
LOUISA	22,667,238.18	65.66	11,286,883.43	5,591,800.09	5,788,554.66	2,524,152.75	25.95
LUNENBURG	14,141,506.60	20.13	2,317,877.59	8,539,415.29	3,284,213.72	2,674,121.01	22.84
MADISON	11,373,705.49	38.87	3,376,787.99	5,117,025.07	2,879,892.43	1,280,013.50	26.30
MATHEWS	8,238,222.76	56.18	3,547,215.20	2,638,487.52	2,052,520.04	261,403.57	30.77
MECKLENBURG	32,460,663.26	27.11	6,935,339.19	17,592,423.08	7,932,900.99	3,563,084.08	23.49
MIDDLESEX	7,555,742.38	54.63	3,179,826.66	2,540,581.71	1,835,334.00	712,945.72	25.85
MONTGOMERY	53,561,286.43	36.47	14,999,541.18	24,715,173.43	13,846,571.82	3,263,205.25	26.50
NELSON	13,408,309.81	42.23	4,385,570.19	5,729,549.03	3,293,190.59	1,150,351.62	26.36
NEW KENT	12,231,052.09	47.24	4,407,070.83	4,594,194.28	3,229,786.99	846,525.26	36.22
NORTHAMPTON	17,122,929.23	18.02	2,426,674.06	10,205,467.99	4,490,787.18	4,208,537.17	19.93
NORTHUMBERLAND	8,770,408.56	52.77	3,529,082.27	3,110,903.63	2,130,422.65	1,131,722.28	24.74
NOTTOWAY	14,934,770.60	28.31	3,204,438.72	7,823,178.01	3,907,153.87	1,146,509.88	24.87
ORANGE	23,125,011.14	38.86	7,010,054.82	10,536,276.69	5,578,679.62	1,946,922.32	28.23
PAGE	21,090,567.23	30.75	5,072,015.24	10,657,579.79	5,360,972.19	2,113,819.98	25.92
PATRICK	17,359,664.72	33.17	4,369,122.50	8,562,982.40	4,427,559.82	252,956.22	26.63
PITTSYLVANIA	62,805,996.16	31.55	14,706,723.10	30,480,461.14	17,618,811.92	-3,338,966.94	26.18
POWHATAN	13,941,502.40	46.47	5,009,562.37	5,589,198.18	3,342,741.86	560,844.03	35.10
PRINCE EDWARD	15,082,344.32	28.80	3,310,603.16	7,664,056.92	4,107,684.24	2,201,687.16	23.93
PRINCE GEORGE	29,875,058.37	30.76	6,952,466.13	15,165,428.56	7,757,163.68	315,872.24	34.85
PRINCE WILLIAM	268,309,067.22	47.71	99,127,633.00	103,481,965.16	65,699,469.05	19,137,034.22	44.25
PULASKI	36,139,856.80	36.19	9,660,701.22	16,924,473.36	9,554,682.22	-1,024,664.42	29.25
RAPPAHANNOCK	6,690,324.05	54.44	2,855,827.40	2,311,300.97	1,523,195.68	978,678.66	29.61
RICHMOND	8,004,450.23	37.20	2,347,080.07	3,838,996.27	1,818,373.89	757,830.16	25.73

OPTION 7 - REVISED COST METHOD, EQUALIZED EFFORT INDEX WITH INCOME ADJUSTMENT, NO CHANGE IN STATE SHARE

DIVISION COST-ALLOCATION SUMMARY

DIVISION	FOUNDATION COST	LOCAL SHARE	LOCAL COST	STATE EQUALIZED COST	STATE NON-EQUALIZED COST	STATE COST DIFFERENCE	LOCAL EFFORT
ROANOKE	80,763,627.55	55.82	33,392,788.07	26,077,928.45	21,292,911.03	-6,647,820.52	36.59
ROCKBRIDGE	17,085,050.80	39.24	5,141,890.63	7,718,648.81	4,224,511.37	1,072,090.17	26.56
ROCKINGHAM	56,957,963.17	39.48	17,164,309.97	24,977,657.00	14,815,996.20	2,582,453.20	29.13
RUSSELL	33,980,923.57	28.31	7,395,354.26	18,237,051.35	8,348,517.95	399,469.31	27.60
SCOTT	28,284,224.83	23.84	5,302,830.72	16,113,304.25	6,868,089.86	2,217,954.11	29.38
SHENANDOAH	29,518,396.46	40.51	9,210,297.37	12,874,383.32	7,433,715.78	2,105,189.10	26.41
SMYTH	36,324,707.78	25.27	6,960,327.85	19,388,846.34	9,975,533.60	1,536,979.93	26.47
SOUTHAMPTON	15,662,344.52	48.60	5,468,070.36	5,700,731.37	4,493,542.79	279,726.16	28.60
SPOTTSYLVANIA	67,759,568.44	36.46	20,035,632.29	31,961,885.76	15,762,050.39	7,732,536.15	37.32
STAFFORD	71,584,266.10	37.18	21,186,675.80	33,364,167.40	17,033,422.90	5,533,410.30	39.54
SURRY	7,755,485.86	80.00	4,877,219.78	1,198,194.18	1,680,071.90	54,632.08	23.63
SUSSEX	10,255,442.55	38.48	2,743,287.27	4,431,659.04	3,080,496.25	377,801.28	23.63
TAZEWELL	56,100,323.28	29.57	12,699,677.73	29,364,532.24	14,036,113.32	1,082,885.56	28.43
WARREN	25,418,167.23	41.19	7,958,282.89	10,748,117.14	6,711,767.20	1,958,600.34	29.71
WASHINGTON	47,587,929.49	31.72	11,414,903.07	23,562,202.17	12,610,824.25	1,405,246.42	26.47
WESTMORELAND	11,562,036.36	45.40	3,971,476.06	4,733,051.52	2,857,508.77	317,126.30	23.39
WISE	53,882,757.63	29.28	12,026,494.46	27,920,237.15	13,936,026.02	618,603.17	30.13
WYTHE	29,328,401.08	26.50	6,038,282.74	15,580,018.58	7,710,099.75	2,945,758.34	25.59
YORK	56,427,014.87	38.44	17,250,225.93	25,855,281.71	13,321,507.22	4,831,088.94	35.25
Cities:							
ALEXANDRIA	63,182,882.86	80.00	34,734,751.72	8,242,554.79	20,205,576.35	4,211.14	15.48
BRISTOL	17,812,543.21	43.43	5,641,368.63	7,146,620.83	5,024,553.75	139,428.58	24.43
BUENA VISTA	7,305,066.32	26.44	1,482,300.64	3,953,970.44	1,868,795.24	185,303.68	28.03
CHARLOTTESVILLE	27,938,828.14	58.93	11,951,109.20	8,013,528.29	7,974,190.65	-175,665.06	25.16
CHESAPEAKE	172,236,596.87	37.54	51,118,020.89	79,929,541.63	41,189,034.35	11,684,375.98	34.30
COLONIAL HEIGHTS	16,530,475.91	54.46	6,757,040.19	5,456,123.68	4,317,312.04	-760,454.28	35.21
COVINGTON	6,464,299.55	43.10	2,003,450.27	2,712,799.45	1,748,049.83	116,243.28	24.94
DANVILLE	50,101,096.21	28.58	11,143,892.11	26,334,357.30	12,622,846.80	10,179,124.10	25.25
FALLS CHURCH	8,150,714.29	80.00	4,847,922.86	1,170,276.01	2,132,515.43	289,963.43	15.80
FRANKLIN	11,174,615.94	23.94	2,215,416.38	6,482,615.81	2,476,583.76	1,029,199.57	29.42
FREDERICKSBURG	13,819,720.57	66.84	6,762,053.37	3,247,696.02	3,809,971.18	386,609.20	28.33
GALAX	7,022,033.14	34.30	1,895,651.24	3,475,921.46	1,650,460.45	1,395,117.90	22.82
HAMPTON	125,104,771.43	42.61	40,397,468.54	51,672,407.57	33,034,895.32	3,306,522.89	31.51
HARRISONBURG	17,832,835.28	57.42	7,896,716.83	5,524,301.70	4,411,816.74	1,282,642.45	26.10
HOPEWELL	23,314,835.77	37.16	6,554,414.37	10,698,177.73	6,062,243.67	-92,438.60	29.20
LEXINGTON	4,448,210.72	47.42	1,638,978.27	1,753,353.38	1,055,879.07	389,354.45	28.60
LYNCHBURG	57,347,616.49	48.28	20,419,510.67	21,099,116.24	15,828,989.58	1,300,445.82	27.57
MANASSAS	30,854,381.57	55.33	14,050,675.25	10,315,291.90	6,488,414.42	3,945,134.32	41.46
MANASSAS PARK	9,973,326.97	26.67	2,059,457.31	5,452,239.70	2,461,629.96	1,825,947.66	36.43
MARTINSVILLE	17,655,637.94	40.24	5,407,001.18	7,861,293.65	4,387,343.11	649,306.76	24.33
NEWPORT NEWS	171,419,719.82	38.29	50,068,225.95	75,641,374.52	45,710,119.35	12,988,073.87	31.54
NORFOLK	216,109,996.74	38.95	62,077,121.86	92,297,879.99	61,734,994.89	11,900,114.88	26.12
NORTON	5,521,572.97	31.37	1,269,256.92	2,690,484.74	1,561,831.31	395,672.05	26.28
PETERSBURG	36,425,675.66	31.34	8,481,165.47	17,969,783.84	9,974,726.34	2,948,690.19	23.45
POQUOSON	15,590,475.69	39.85	4,986,808.18	6,922,095.16	3,681,572.35	531,585.51	41.07
PORTSMOUTH	115,262,595.46	29.53	26,996,473.37	61,026,142.04	27,239,980.06	9,319,542.09	28.91
RADFORD	9,175,684.64	48.70	3,311,094.87	3,456,875.08	2,407,714.69	-394,384.23	29.69
RICHMOND	167,588,325.31	60.86	69,799,950.73	44,470,933.62	53,317,440.96	-1,310,605.42	26.32
ROANOKE	78,361,596.95	56.13	28,794,842.52	22,801,914.62	26,764,839.81	-4,290,165.57	25.25
SALEM	20,329,058.34	59.89	8,987,119.33	6,050,277.45	5,291,661.57	-710,224.98	30.35
SOUTH BOSTON	8,363,208.38	25.60	1,698,549.18	4,694,492.08	1,970,167.13	1,459,585.20	25.89
STAUNTON	20,296,697.05	45.10	6,277,490.33	7,186,864.20	6,832,342.52	3,036,050.72	27.57
SUFFOLK	55,999,913.34	35.62	15,014,490.13	25,683,731.33	15,301,691.89	3,856,363.22	29.17
VIRGINIA BEACH	406,915,744.87	41.83	132,258,420.26	172,088,793.99	102,568,530.62	37,208,124.61	33.30
WAYNESBORO	16,349,576.94	46.72	5,766,828.30	6,285,251.92	4,297,496.72	559,090.64	29.21
WINCHESTER	19,966,471.02	50.66	7,763,106.83	6,880,713.87	5,322,650.32	1,688,358.19	27.88
Towns:							
COLONIAL BEACH	3,423,500.36	45.40	1,228,262.47	1,462,574.65	732,663.24	271,961.89	35.71
WEST POINT	4,306,580.12	51.29	1,784,626.02	1,638,273.54	883,680.56	-350,647.90	49.93
Combined:							
ALLEGHANY HIGHLANDS	19,433,590.63	37.73	5,319,345.72	9,157,201.16	4,957,043.76	-889,879.08	32.18
BEDFORD COUNTY-CITY	48,402,229.70	44.64	16,194,758.79	19,882,988.15	12,324,482.76	1,934,754.91	32.13
FAIRFAX COUNTY-CITY	866,721,359.61	80.00	518,955,373.40	126,133,427.67	221,632,558.55	-25,888,279.79	39.90
GREENSVILLE/EMPORIA	18,156,203.14	25.88	3,592,321.75	10,035,426.27	4,528,455.12	2,196,411.39	24.92
JAMES CITY/WILLIAMSBURG	40,092,909.59	50.16	16,137,820.48	12,892,722.75	11,062,366.36	3,974,927.11	31.84

APPENDIX D

AGENCY RESPONSE

As part of an extensive data validation process, each State agency involved in JLARC's assessment effort is given the opportunity to comment on an exposure draft of this report. This appendix contains the response from the Department of Education.

COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION
P.O. BOX 60
RICHMOND 23216-2060

January 25, 1988

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

Dear Mr. ~~Leone~~: Phil

I am writing in response to your January 11, 1988, letter which transmitted to us an exposure draft of your report, Funding the Standards of Quality Part II: SOQ Costs and Distribution. We have reviewed the report carefully and are pleased that it supports the commitment of the Board of Education and the Commission on Excellence in Education to reduce the educational disparities in the Commonwealth. As you are aware, the Governor's proposed 1988-90 budget contains many of the concepts contained in the report. The Board of Education, at its January 15 meeting adopted a resolution endorsing the Governor's budget (copy attached).

We recognize the merits of the various alternatives presented to measure a locality's ability to pay for its educational services, but we believe the current composite index (with adjusted gross income substituted for personal income) should be continued for the near future. We do feel, however, that the other alternatives should be explored further, with time allowed for public review and reaction.

I would hope that Mr. Rotz, and others you deem appropriate, will have time to work with our Budget Office staff to enable us to fully understand the revised methodology and apply it consistently when costing the Standards of Quality in future biennia. We will contact you in this regard later this spring.

~~Sincerely~~,

S. John Davis
Superintendent of Public Instruction

SJD:vm
Attachment

CC: Dr. Finley

Resolution in Support of the Governor's

1988-90 Proposed Budget for Public Education

(Approved by the Board of Education on January 15, 1988)

Whereas, the Commission on Excellence in Education recommended that the education funding distribution formula be revised to reduce the disparity of funds available to the various school divisions in the Commonwealth, and

Whereas, the proposed changes contemplated by the Commission included such items as teachers' pay being competitive in the market place; increased equalization of funds; more emphasis on local capacity; breaking the cycle of illiteracy; and recognition of the actual number of instructional personnel required to meet the Standards of Quality, and of the fact that some students cost more than others to educate, leading to varying per pupil amounts for school divisions, and

Whereas, these changes and similar concepts are incorporated in the 1988-90 budget proposed by Governor Baliles with the result that the current disparity in funding is reduced,

Now therefore Be it resolved that the Board of Education expresses its appreciation to Governor Baliles for his advocacy of improvements suggested by the Commission, and

Be it further resolved that the Board of Education hereby applauds the approach toward more equitable funding and endorses the concepts set forth in the Governor's 1988-90 budget and urges the General Assembly to adopt a budget which incorporates them.

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