

Report summary

Efficiency and Effectiveness of K-12 Spending

WHAT WE FOUND

Virginia spends about the national average on K-12; is above average in local funding and student achievement

Virginia is close to the national average in total spending per student on K-12 education. Virginia relies more on localities to fund K-12 than other states. Virginia's localities pay the highest share of total K-12 spending in the Southeast region.

Virginia's students score above the national and Southeast average in reading and mathematics on the National Assessment for Education Progress.

Divisions spend less to educate each student than a decade ago

In FY 2014, the average Virginia school division spent seven percent less to educate each student than it did in FY 2005. Nearly 95 percent of the state's K-12 population is educated in divisions that now spend less per student.

This spending decline is not unique to Virginia or K-12 education. Twenty-nine states, including many other Southeast states, also spend less now per student than a decade ago. The K-12 spending per student decline is also consistent with Virginia's spending in other functional areas that rely heavily on general funds.

Virginia divisions reduced non-instructional spending, particularly related to facilities, by more than instructional spending. Divisions also reduced spending on division-level administration, which accounted for 2.1 percent of total spending. As divisions reduced spending per student, the proportion of total spending devoted to classroom instruction increased from 63.1 to 65.1 percent.

School divisions can have their non-instructional operations reviewed through the Virginia School Efficiency Review Program. To date, school efficiency reviews have been conducted for 43 school divisions (33 percent). Divisions have implemented, or are in the process of implementing, 91 percent of the more than 3,300 recommendations made during the reviews. The Department of Planning and Budget estimates

WHY WE DID THIS STUDY

This study is directed by two mandates. The first, passed by the 2013 General Assembly, directs JLARC to "study the efficiency and effectiveness of elementary and secondary school spending in Virginia" (SJR 328). The second mandate, which was included in the 2014 Appropriation Act (Item 30), directs JLARC to examine virtual instruction.

ABOUT K-12 SPENDING IN VIRGINIA

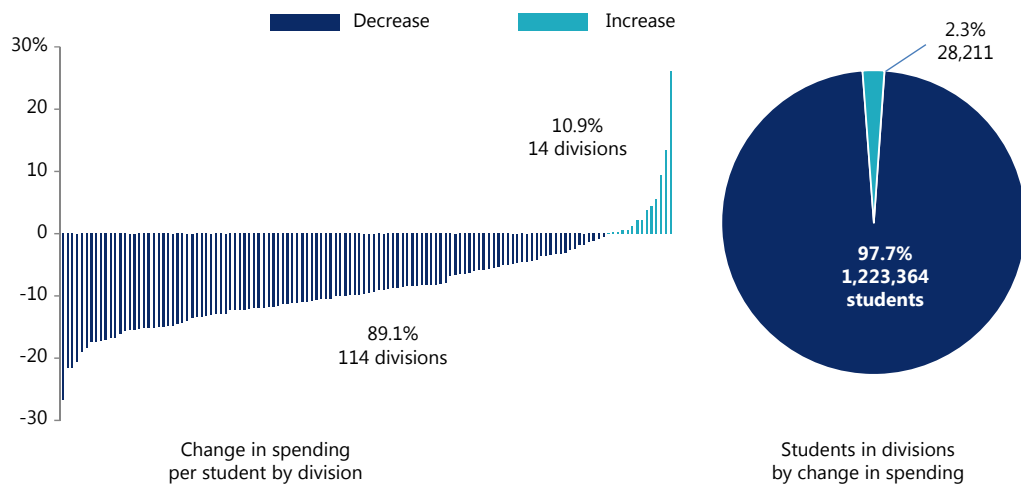
Virginia school divisions collectively spent \$15.6 billion on K-12 education for 1.27 million elementary and secondary students in FY 2014. About two-thirds of total spending was on instruction. Salaries and benefits for staff account for approximately three-fourths of total K-12 spending, and are the primary expense in most spending areas. School divisions rely primarily on local and state funding, and a majority of total funding comes from localities. Divisions are subject to state and federal laws and regulations, but have significant flexibility over how they spend their funds.

that school divisions collectively will realize an average of \$37.5 million in annual savings for recommendations that have been, or are being, implemented.

Nearly all divisions reduced instructional spending, but also report being less effective

The average Virginia school division spends nine percent less per student to provide instruction than it did in FY 2005. The 114 divisions that spent less in FY 2014 than in FY 2005 educate 98 percent of the state's students (see figure next page). The magnitude of the decline in per-student spending over this period ranged widely across divisions. Spending declined by more than 10 percent for 59 divisions, including four divisions that now spend at least 20 percent less. Instructional spending per student declined while many divisions are educating a higher proportion of students with more resource-intensive needs.

Nearly 90 percent of school divisions with 98 percent of statewide enrollment decreased instructional spending (FY 2005 to FY 2014)



Source: JLARC staff analysis of data from Virginia Department of Education.

Note: Each bar represents one division. Inflation and enrollment adjusted. Figures exclude capital expenditures. Colonial Beach, Greensville, West Point, and Williamsburg-James City were excluded due to changes in how data was reported.

Divisions reduced per-student spending on instruction through a combination of employing fewer teachers per student, limiting teacher salary growth, and requiring teachers to pay a higher percentage of health insurance and retirement benefit costs. Divisions report that these spending reductions are hindering instructional effectiveness. These conclusions could not be independently validated, but there is support in the research literature that such reductions can negatively impact instructional effectiveness. For example, research literature concludes that student learning can suffer when class sizes become too large. Divisions also reported that reduced spending per stu-

dent on instructional support services is creating challenges, such as teachers being less prepared and curriculum not being fully aligned with state standards.

Some divisions can improve facilities and transportation efficiency

In FY 2014, the average Virginia school division spent eight percent less per student to operate and maintain its facilities than in FY 2005. Divisions also now spend far less on facility renovation and construction. Divisions report that some of the approaches used to reduce spending, such as deferring new projects and maintenance, are hindering long-term efficiency and effectiveness.

The average division spent about the same per student on transportation as it did in FY 2005. Divisions report that some of the approaches used to reduce spending, such as deferring new bus purchases, have reduced long-term efficiency and effectiveness. Because of deferring new bus purchases, at least 1,900 buses statewide are near or past the recommended 12- to 15-year replacement cycle.

There are opportunities to gain relatively small non-instructional spending efficiencies in some divisions. For example, some divisions have yet to fully implement energy efficient practices at their facilities. Other divisions have not fully capitalized on technology to improve the efficiency of bus operations and routing.

Virtual learning is a small but growing aspect of K-12 education

Virginia has thus far provided online learning that supplements physical classroom learning, mostly for high school students. Online learning increases access to educational opportunities for students and can be effective for students with strong motivation and time-management skills. It generally costs less than educating a student in a physical school. School divisions reported that the greatest challenge with supplemental online learning programs was students not completing the courses. Research comparing the effectiveness of online and in-person instruction is limited and inconclusive, in Virginia and nationwide.

The state's current approach to fully online virtual learning will provide a useful test case for whether and to what extent fully online virtual learning is sound education policy. There is currently no reliable statewide information comparing the performance of similar students at virtual and physical schools. There is also no accurate statewide method to estimate how much funding the state should provide for virtual learning.

WHAT WE RECOMMEND

Legislative action

- Provide funding for VDOE to hire several staff to provide school divisions with guidance and facilitate information sharing on facilities and transportation management best practices.

- Option: Provide funding for VDOE to employ additional staff to support school divisions with teacher training and curriculum development.

Executive action

- VDOE should provide guidance and facilitate information sharing among divisions regarding facilities and transportation management best practices.
- As the number of students participating in virtual learning increases, VDOE should analyze and report student effectiveness data and develop a cost methodology.

The complete list of recommendations is available on page v.