



## Status Update: JLARC Review of K–12 Standards of Quality Funding Formula

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## Study mandate

- Directs JLARC to study the cost of education and assess the costs to implement the Standards of Quality (SOQ)
  - Determine if SOQ reflect actual practices
  - Estimate cost of implementing SOQ based on actual expense
  - Analyze impact of SOQ formula changes since 2009
  - Propose SOQ formula changes to ensure state funds are neither inadequate nor excessive
- Status report in 2022 (today), final report in 2023
- Last comprehensive JLARC evaluation of SOQ was in 2002

Senate Joint Resolution 294 (2021)

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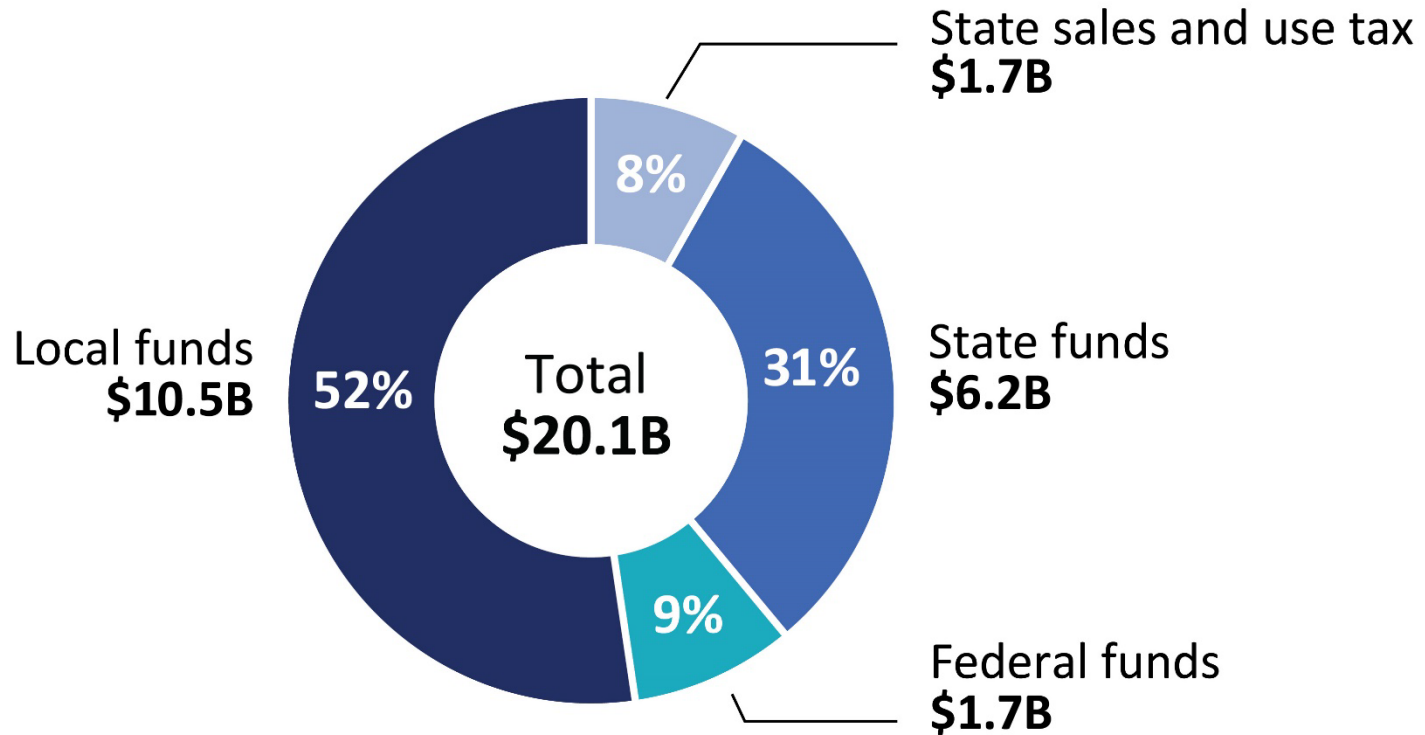
## In this presentation

K-12 funding background

Ongoing research

Final reporting and next steps

# Virginia school divisions received \$20.1B in funding, with majority from local sources (FY21)



Federal funds received include \$600M in one-time pandemic relief funds.

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# Virginia law sets goals and framework for K-12 education funding

- Virginia Constitution states the General Assembly shall
  - “seek to ensure that an educational program of high quality is established and continually maintained”
  - “determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed standards of quality.”
- SOQs are established in Code of Virginia, Appropriation Act, and by Board of Education in state regulations
- Code states that quality of education depends on appropriate salaries, benefits, and other resources

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## General Assembly plays central role in determining K-12 funding levels

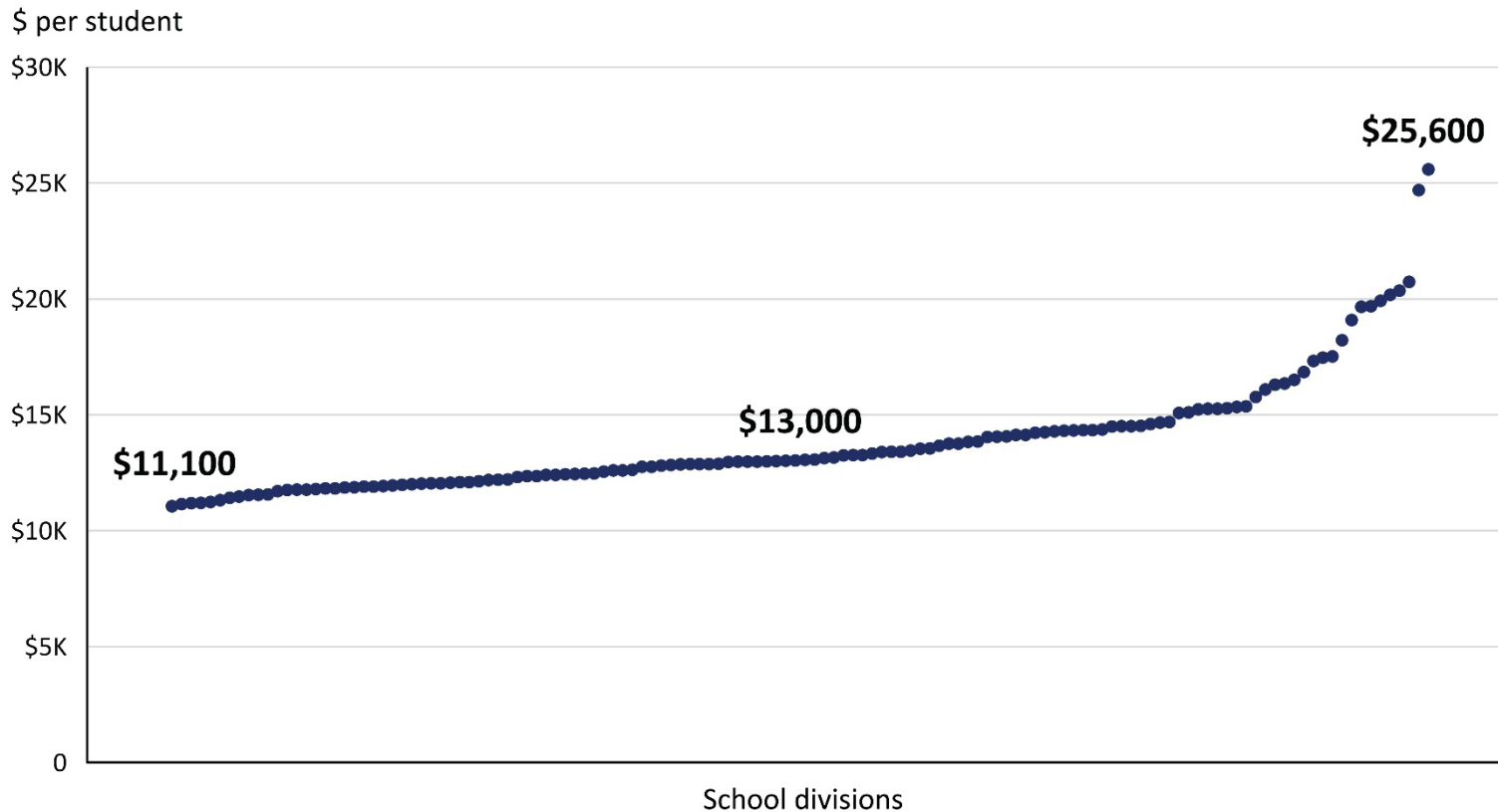
- General Assembly determines state and local **SOQ** funding
  - Sets final staffing standards, funding formula, and state and local shares of funding
- General Assembly appropriates **non-SOQ** state funds for specific purposes
  - Over 50 funding programs, such as at-risk add-on, K-3 class size reduction
- Funding approach established by General Assembly in 1970s, with last comprehensive changes in 1980s

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# SOQ funding determined in two steps

- **Step 1:** calculate the total SOQ funding obligation for each school division
  - Staffing standards
  - SOQ funding formula
- **Step 2:** determine state and local shares of SOQ funding for each division
  - Local composite index (LCI)
- SOQ required \$6.6B from state and sales taxes, \$3.9B from locals (~half of all K12 funding in FY21)

# K-12 operating expenditures per student vary substantially across divisions (FY21)



Each point represents one of 132 school divisions (partner divisions are treated as a single division). Excludes pre-K, adult education, capital outlay, debt service.



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## Team is conducting four main types of analysis

- Staffing standards and funding formulas review
- Research literature/other states' K-12 funding studies
- Interviews and workgroups
  - Virginia administrators, teachers, and student support staff
  - Academic researchers & associations
- Virginia and national K-12 data analyses
  - Revenues and expenditures, including salaries and benefits
  - School divisions and student populations
  - Quality of educational resources
  - Academic and other student outcomes

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## Issue: Do state staffing standards, which help decide funding, reflect actual and best practices?

- Hold workgroups with Virginia educators
  - Seven virtual workgroups with teachers, administrators, student support staff (health, counseling, etc.) from across state
  - Goal to estimate standards that meet current needs, within reasonable constraints
- Compare current state staffing standards to workgroup recommendations, research literature, other states, and actual staffing

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## Issue: Does SOQ formula accurately estimate the costs school divisions incur to educate students?

- Evaluate SOQ formula, including all assumptions, data, and calculations
  - Should not be arbitrary
  - Should reflect prevailing costs
- Review past changes to SOQ formula and their impact on funding (e.g., the “support cap”)
- Recreate SOQ funding model internally at JLARC to facilitate modeling of formula changes

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## Issue: Does the state's approach to allocating funds adequately account for local ability to pay?

- Assess current LCI formula assumptions and calculations and determine how well they measure local ability to pay
- Evaluate concerns raised by localities about the LCI
- Identify alternative methods that could be used to measure local ability to pay

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## Issue: Do school divisions receive sufficient state and local funding?

- Analyze historical changes in K–12 funding and how they have affected schools, including changes in
  - amount of state and local funds provided
  - underlying costs of education
- Compare actual funding to benchmarks and other states, using four methods for estimating K–12 funding needs\*
- Examine relationships among funding, school quality, and student outcomes

\*Educator workgroups, review of research literature, successful school divisions analysis, and cost function statistical analysis.

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## Issue: How, if at all, could the state's K-12 funding approach be improved?

- Identify ways to improve staffing standards, the SOQ formula, and LCI
- Identify other major changes to the state's funding approach that could be considered
- Describe how any changes would affect
  - state and local funding obligations
  - amount of funding received by each school division

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## Final K-12 funding report, presented in June 2023, may have substantial recommendations

- Final report presented at June 2023 JLARC meeting
- Final report will include recommendations and options for changing the complex K-12 funding system
  - Substantial changes to Code and Appropriation Act language
  - Significant budget implications for state and local governments

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## General Assembly may want to decide how to consider report findings before 2024 session

- After report release, many stakeholders may want to participate in making potential changes to K-12 funding
  - Governor's office, Board of Education, VDOE
  - School divisions, local governments, professional associations, advocacy groups
- General Assembly could evaluate JLARC report and obtain stakeholder input before session by
  - Coordinated effort between education and money committees
  - Forming a K-12 funding formula joint subcommittee

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