



Standards of Quality in Public Education

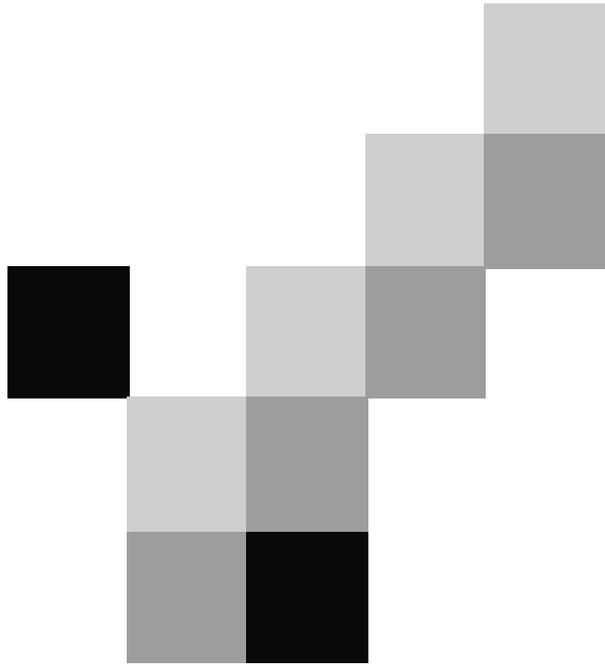
House Appropriations Committee Retreat

November 15, 2005

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House Appropriations Committee Staff





General Assembly's Role in K-12 Funding



Summary of the Standards of Quality (SOQ)

- The Constitution of Virginia establishes the SOQ
- The specific requirements of the SOQ are prescribed in state code and Appropriations Act
- SOQ re-benchmarking is completed every two years and coincides with the beginning of the biennial budget cycle
- SOQ accounts represent about 89 percent of the total state funding for direct aid to public education



Legislative Policy Changes

Historical Overview of Public Education

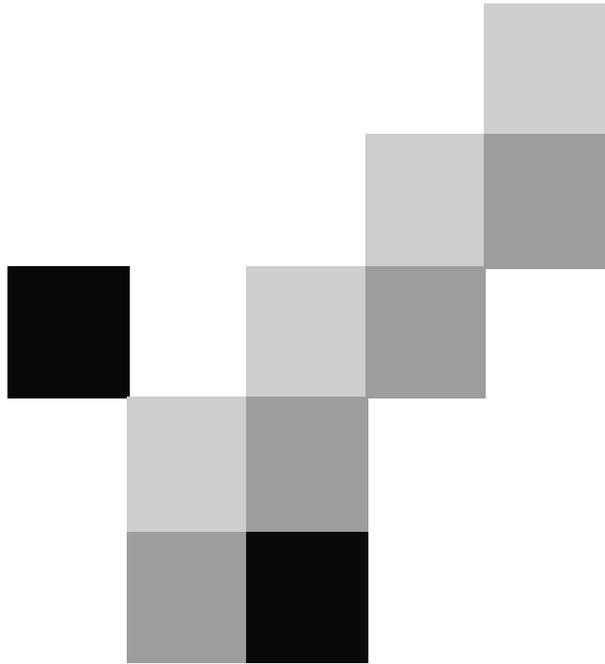
- 1971: Constitutional changes in Article VIII gave the General Assembly additional authority for:
 - Responsibility for defining the Standards of Quality (SOQ) in Virginia
 - Board of Education adopted the first SOQ as a result of the new provisions
 - Prescribe the method of funding
- 1972: General Assembly revised and enacted the SOQ that focused on three major areas of personnel, curriculum, and school planning and management
 - These standards developed specific objectives for divisions for graduation rates, student achievement goals, and classroom management



Legislative Policy Changes

Historical Overview of Public Education

- 1974: Eight standards were adopted by the General Assembly
 - Set the teacher-pupil ratios in Basic Aid
 - Requirements in special, gifted, & vocational education programs
 - Mandated kindergarten in all elementary schools by 1976
- SOQ funding formula model was developed
- Funding methodology established a single per pupil amount statewide
- Composite index of ability-to-pay created
- Sales tax subtracted from divisions' SOQ basic aid cost
- 1986: Significant changes were recommended from a JLARC review:
 - Separate per pupil amount for each school division rather than a statewide average
 - Establishment of “prevailing cost” methodology to determine reasonable funding levels for instructional salaries and support functions within each division
 - Pupil transportation costs added



Standards of Quality: What Are They?



Standards of Quality

The eight SOQ are codified under § 22.1-253.13:1-8

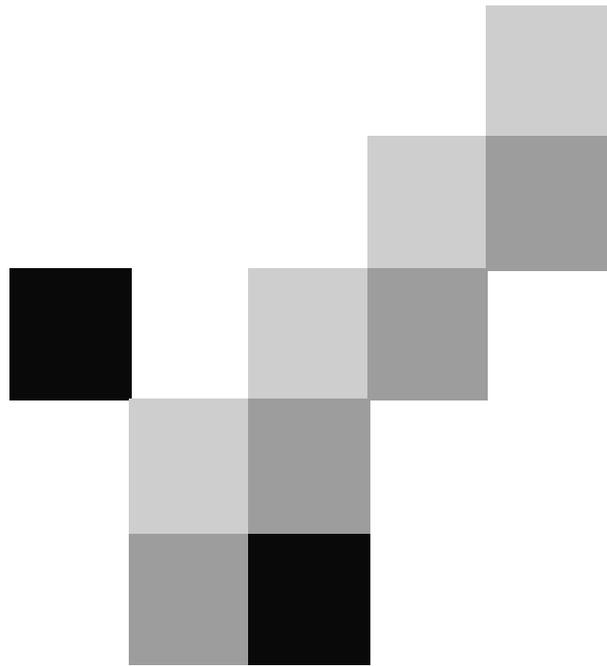
1. Instructional programs supporting the Standards of Learning (SOL) and other educational objectives
2. Instructional, administrative, & support personnel ratios
3. Accreditation, other standards and evaluation
4. Student achievement and graduation requirements
5. Quality of classroom instruction & educational leadership
6. Planning and public involvement
7. Local school board policies
8. Compliance



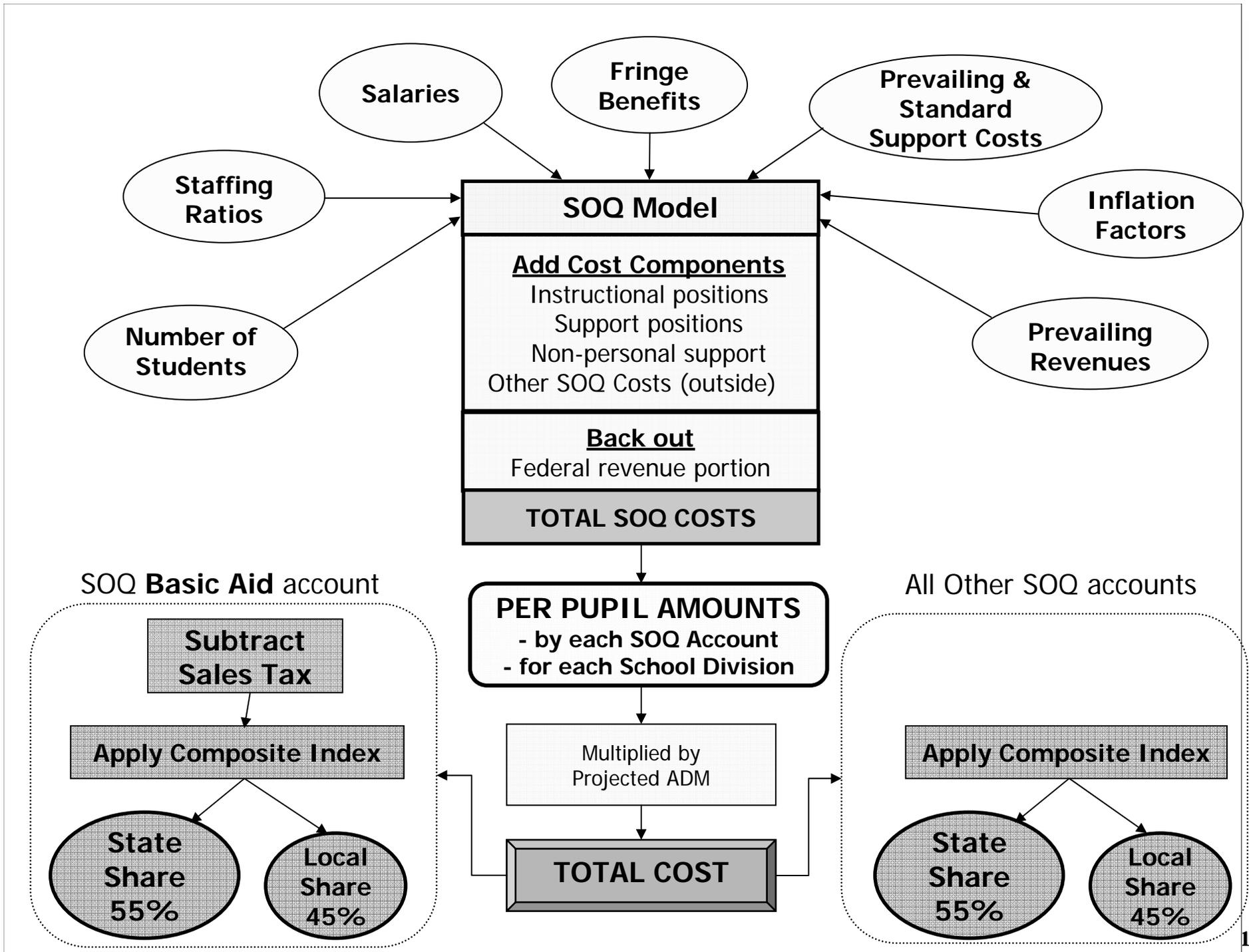
Standards of Quality

2.) Instructional, administrative, & support personnel ratios

- Board of Education (BOE) shall establish requirements for teacher licensing and other professionals – hire only licensed personnel for appropriate areas
- Ratio standards for hiring teachers and other personnel
 - Prescribed by state code, appropriations act, BOE regulations
- Five revisions added in 2004 Session



SOQ Rebenchmarking Process





Summary of the SOQ Model

ABCs of the SOQs

ADDS – BACKOUTS = COSTS

+ Instructional

+ Support

+ Non-Personal Support

+ Other SOQ (Non-Model)

- Selected Federal Revenues

TOTAL SOQ COST



Instructional Costs

- Defined instructional standards determine the pupil to staff ratios for teachers, school-level administrators, and instructional support positions for programs in:
 - Basic aid for regular education
 - Specialized instructional areas:
 - Special education
 - Career and technical (vocational) education
 - Intervention, prevention, and remedial education
 - Gifted education
 - English as a Second Language (ESL)
- Overall, each school division is guaranteed funding for a minimum of 57 positions per 1,000 students

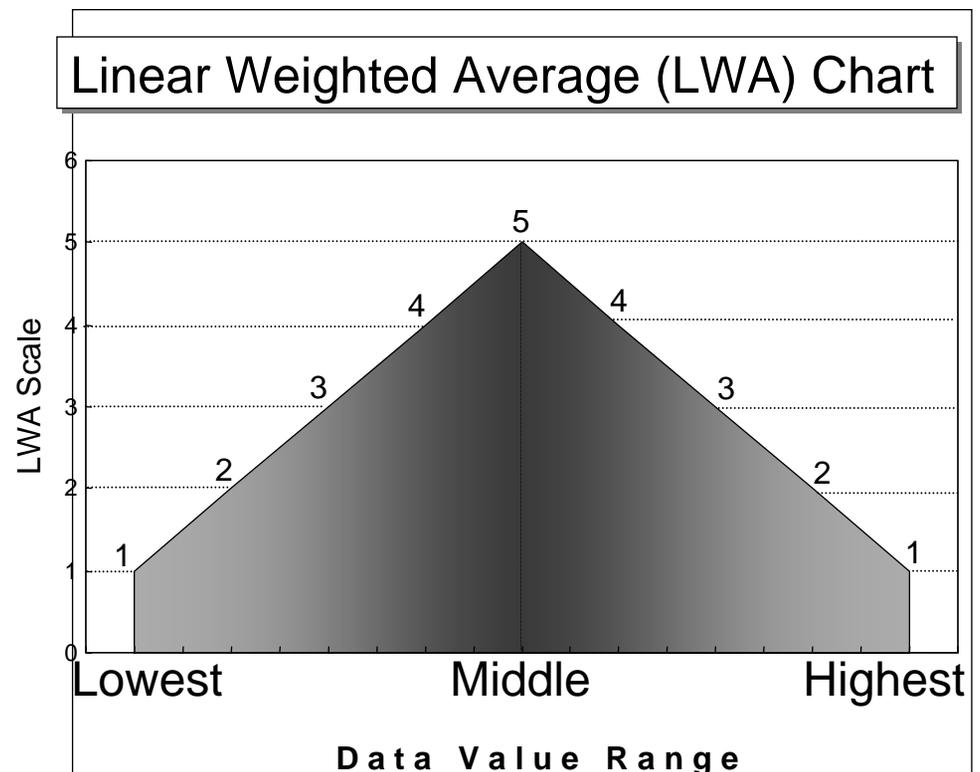


Support Costs

- The SOQ model also funds those functions that provide assistance to instructional activities for non-instructional support staff positions and day-to-day school operations:
 - Instructional support
 - Substitute teachers
 - Professional development
 - Attendance and health
 - Pupil transportation
 - Operations & maintenance of facilities
- However, unlike the prescribed ratios for instructional positions, the support standards are not defined by any specific pupil to staff ratios
- Instead, the support cost component requires those types of services be funded based on prevailing statewide costs
 - Calculated support costs are added into the SOQ Basic Aid account total

Prevailing Cost Methodology

- Divisions' expenditure data from a prior year is used as the 'base year' to calculate prevailing instructional salaries and support funding
- Linear weighted average is used to make sure costs are not unduly influenced by divisions with unusually high or low expenditures
- This methodology allows the greatest weight to be given to costs clustered around the middle of the distribution of costs
- Most school divisions' actual costs are a little under or a little over the calculated prevailing cost
- A portion of prevailing costs of federal revenues received for support functions are backed out (deducted) from the total cost of education for each school division





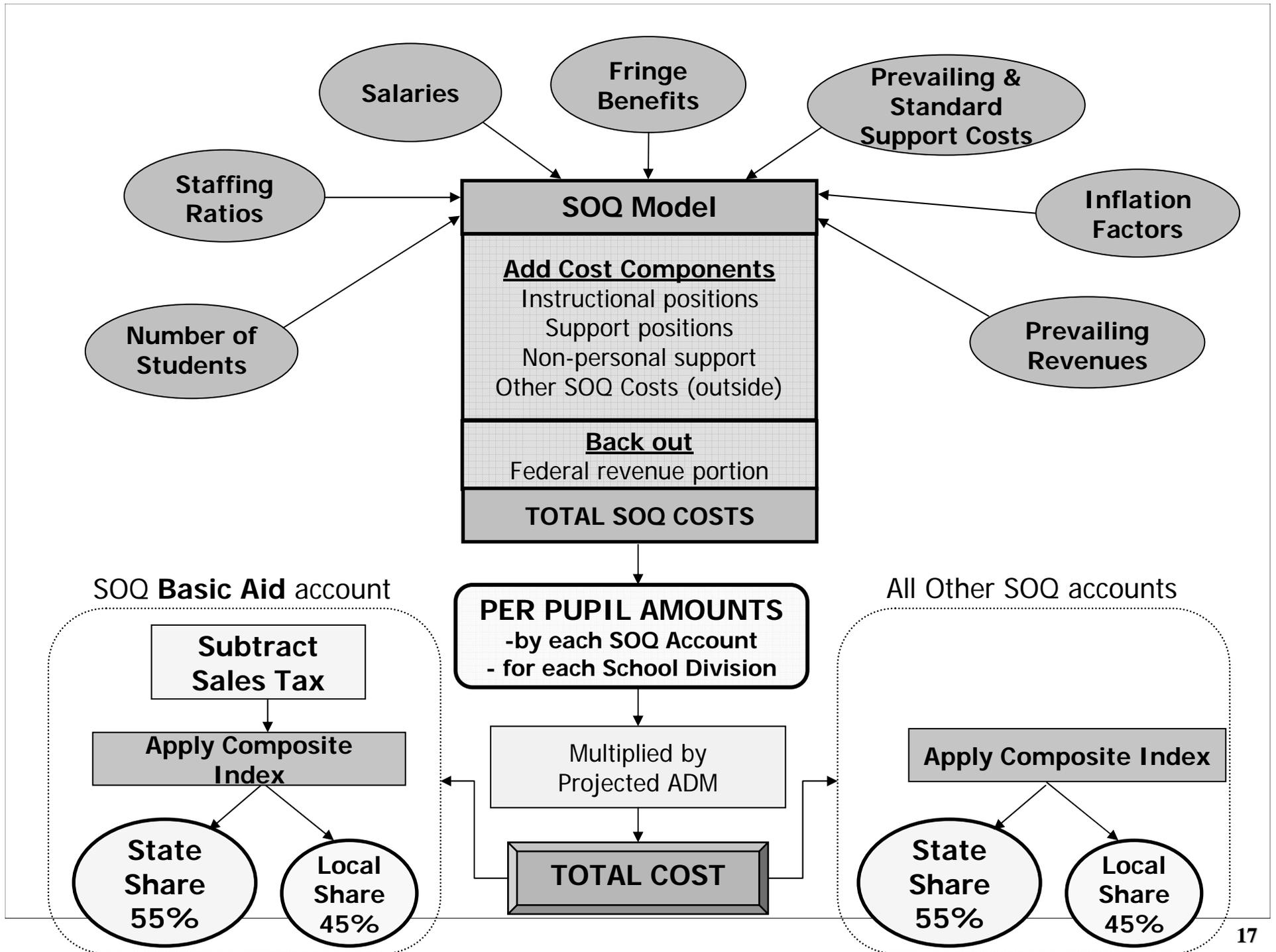
Final Costs Calculated for the SOQ Model

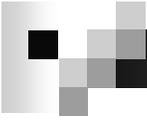
- Several other costs are calculated separately as the last step to determine the total costs for education
 - Superintendent salary
 - School board members salary
 - School nursing services
 - Pupil transportation costs
 - land area of divisions in square miles: small, middle, large
 - regular students transported
 - special needs students transported



Model Output - Per Pupil Funding

- The SOQ model produces nine per pupil amounts used in calculating each division's SOQ funding:
 - Basic Aid
 - Special Education
 - Gifted Education
 - Vocational Education
 - Prevention, Intervention and Remediation Education
 - Remedial Summer School
 - Textbooks
 - Sales Tax
 - English as a Second Language
- Instructional fringe benefit per pupil amounts include:
 - VRS Retirement and Retiree Health Care Credit
 - Group Life
 - Social Security
- The per pupil amounts will be split between the state and localities

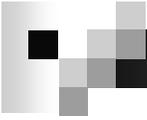




Sales Tax Revenue

Offsets Basic Aid Costs

- Once the sales tax is deducted from the Basic Aid account remaining balance is divided between the state and school divisions into the 55 to 45 split respectively
- Prior to the development of the composite index funding formula, the state had typically funded about 55 percent of the total educational costs in the state and localities paid the remaining 45 percent
- That on-going funding split was incorporated into the composite index funding formula so that on a statewide basis the state pays the majority – an average of 55 percent



Composite Index:

Local Ability-to-Pay

- The composite index (CI) was formulated to measure a locality's ability to generate revenue and is considered a proxy to gauge the local ability to fund public education
- Each locality's ability-to-pay is evaluated relative to all other localities' ability-to-pay by dividing the individual locality values by the total statewide values
- The CI formula is calculated using three characteristics of any local tax base:
 - True real estate value: allocated weighted factor of 50%
 - Adjusted gross income: allocated a weighted factor of 40%
 - Local taxable retail sales: allocated weighted factor of 10%
- These characteristics and their respective weighted factors are added into two per-capita components: average daily membership (2/3) and total population (1/3)



Composite Index: *Local Ability-to-Pay*

- Finally, the resulting value is multiplied by 45 percent to represent the average local share and the remaining 55 percent state's share
- No locality is responsible to pay for more than 80 percent of the total required SOQ cost of education, there is no minimum local share
- The composite indices for the current biennium range from
 - 0.1845 (least affluent) - Lee County
 - 0.8000 (most affluent) eight localities – cities of Fairfax, Williamsburg, Fall Church, and Alexandria and the counties of Surry, Goochland, Bath and Arlington



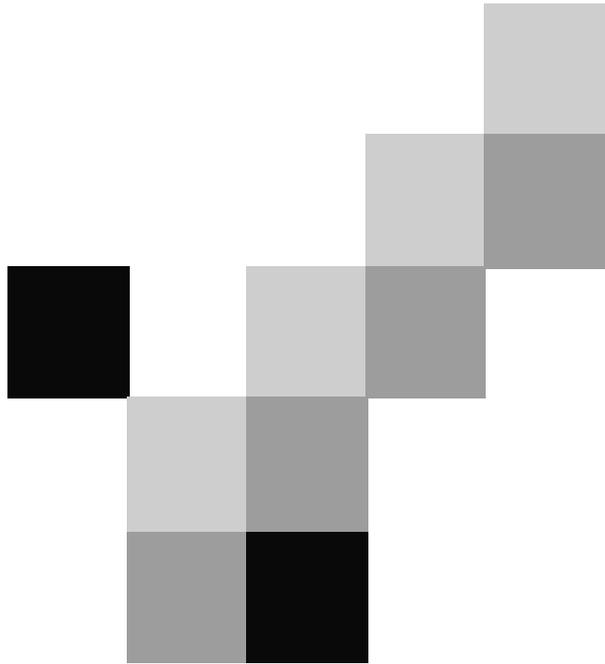
Categorical and Incentive-based Accounts

- The current SOQ program account estimates equal about \$5.0 billion, or about 89 percent, of the direct aid funding to public education
- Four other groups receive the remaining 11 percent in the forecast costs of the 2006-2008 biennial budget
 - Categorical programs focus on particular needs of special student populations or fulfill particular state obligations
 - Incentive-based programs are not required by law but are intended to target resources for specific student or school needs statewide
 - School Facilities, a new group, just for the lottery portion distributed on a per-pupil amount and school construction
 - Supplemental programs serve a unique purpose as defined in the Appropriations Act



Summary of the SOQ

- The SOQ establishes the minimum educational program that public school divisions are required to offer
- The funding stream provided for the SOQ is not meant to reimburse school divisions for all actual educational expenditures
- Localities may choose to spend more than the required amounts
- School divisions may offer additional programs and employ additional staff beyond what is required by the SOQ
- Not all expenditures incurred by school divisions are included in the SOQ cost calculations



Cost Drivers for 2006- 2008 Biennial Budget



Re-benchmarking Costs

Cost Drivers for 2006-2008

- Department of Education (DOE) reported in September 2005 that preliminary estimates for the 2006-2008 rebenchmarking costs at \$986 million
- However, outstanding issues may significantly impact the new total biennial cost:
 - Composite index – relative change between localities and statewide average
 - Triennial school census data - impacts sales tax distribution
 - VRS fringe benefits – adopted rates = \$308 million for biennium
 - Student enrollment projections - 1% growth
- All data updates and calculations will be completed and final estimated costs will be included in the Governor's introduced budget



Other Issues for 2006 Session

- Board of Education has requested funding for the four remaining SOQ revisions - \$191.5 million for biennium
 - One reading specialist per 1,000 students (K-12) - \$72.8 million
 - One full time principal in every elementary school (K-5) - \$13.4 million
 - One full time assistant principal per 400 students (K-12) - \$98.2 million
 - Reduce caseload for speech-language pathologists from 68 to 60 students (K-12) - \$7.1 million
- Teacher pay raise
 - Salary increase - \$32 million annually (July 1st) for every 1%
- Use of Literary Fund
 - Currently, majority of funds are directed toward paying teacher retirement expenses
 - \$135 million in FY2005
 - \$125 million in FY2006



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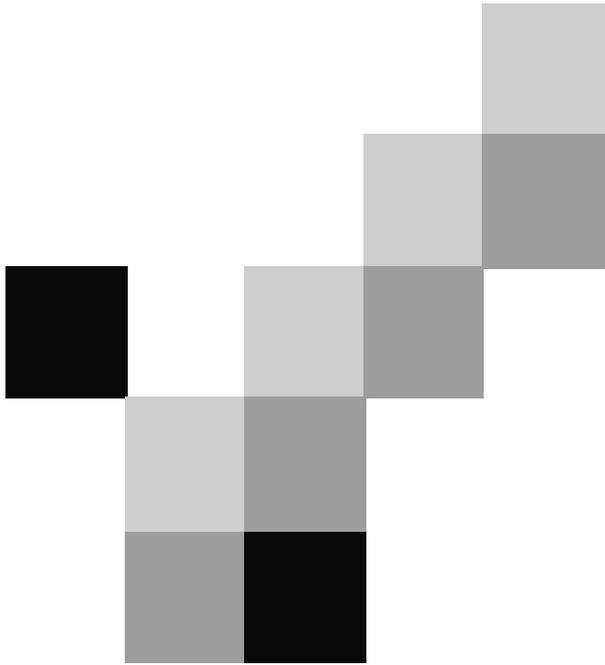
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Appendix A



Appendix A:

Historical Changes to Public Education

- 1643: First free or public school in Virginia authorized by legislation
- 1779: The notion of public education was advanced further by Thomas Jefferson's 1779 'Bill for the More General Diffusion of Knowledge' which directed the establishment of local school divisions to offer 3 years of free tuition for children
- 1810: Literary Fund was established as an endowment for education
- 1851: Constitutional revisions provided for a capitation tax that may be applied to public education in 'primary and free schools'



Appendix A (continued): Historical Changes to Public Education

- 1870: Reconstruction in Virginia - public education became a priority in the Constitution:
 - General Assembly was to provide for the implementation of a public school system throughout Virginia by 1876
 - Superintendent of Public Instruction was directed to develop a plan for ‘uniform system of public education’
 - First standards were created for teacher training, textbooks, and General Assembly to prescribe necessary laws governing the public school system
 - Literary Fund was given Constitutional status
- 1902: General Assembly was directed to “establish and maintain an *efficient* system of public free schools throughout the State”
- 1904: Board of Education established minimum requirements for instruction and teacher qualifications
- 1907: Board of Education established a course of study for elementary schools



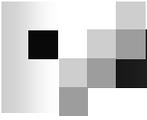
Appendix A (continued): Historical Changes to Public Education

- 1913: High school accreditation programs were created
- 1922: First compulsory attendance laws were passed
- 1945: Board of Education adopted regulations addressing the development of a 12-year public school system in all localities
- 1954: United States Supreme Court ruled as a result of *Brown v. Board of Education* that segregation in public schools to be ‘inherently unequal’ and violated the Fourteenth Amendment



Appendix A (continued): Historical Changes to Public Education

- 1964: Public school systems were mandated to reopen as a result of *Griffin v. County School Board*
- 1966: Dedication of one cent sales tax revenues to K-12 funding
- 1968: Commission on Constitutional Revisions appointed – made four major proposals that impacted education
- 1969: General Assembly adopted majority of the Commission's recommendations that resulted in Constitutional provision mandates
 - State must provide for a 'statewide system of free public elementary and secondary schools open to all children of school age'
 - Localities have a required duty to fund their share public education funding as determined by the Legislature



Appendix A (continued): Historical Changes to Public Education

1971: Significant changes that resulted in changes to

- Bill of Rights – Article I, §15: ‘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.’

- Virginia Constitution– Article VIII, §1: ‘Public schools of high quality to be maintained.

The General Assembly shall provide for a system of free public elementary and secondary schools for all children of school age throughout the Commonwealth, And shall seek to ensure that an educational program of high quality is established and continually maintained.’

- Virginia Constitution– Article VIII, §2: ‘Standards of Quality; State and local support of public schools. Standards of quality for the several school divisions shall be determined and prescribed from time to time by the Board of Education, subject to revision only by the General Assembly.

The General Assembly shall determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed standards of quality,

And shall provide for the apportionment of the cost of such program between the Commonwealth and the local units of government comprising such school divisions. Each unit of local government shall provide its portion of such cost by local taxes or from other available funds.’

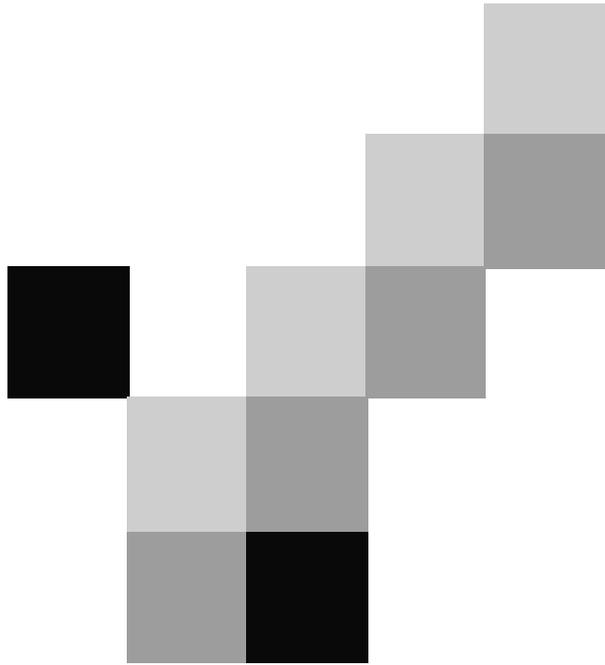


Appendix A (continued): Historical Changes to Public Education

2002: Board of Education directed to report a review of the SOQ via Title § 22.1-18.01

‘Biennial review of the standards of quality required; budget estimates.

- **A.** To ensure the integrity of the standards of quality, the Board of Education shall, in odd-numbered years, exercise its constitutional authority to determine and prescribe the standards, subject to revision only by the General Assembly, by
 - reviewing the standards
 - either proposing amendments to the standards
 - making a determination that no changes are necessary
- **B.** In any odd-numbered year in which the Board proposes changes to the standards of quality, the budget estimates that are required to be reported pursuant to § 2.2-1504 shall take into consideration the Board's proposed standards of quality’



Appendices for the SOQ Calculations

Appendix B

Basic Instructional Standards for Basic Aid Funding in 2004-2006 Biennium (Standard 2)

Grade	Standards of Quality Class Sizes/Ratios			Standards of Quality School-level Staffing						
	Maximum Class Sizes	<i>School-wide Pupil-Teacher Ratio</i>	<i>Division-wide Pupil-Teacher Ratio</i>	<i>Division-wide English Pupil-Teacher Ratio</i>	<i>Guidance Counselor</i>	<i>Librarian</i>	<i>Assistant Principal</i>	<i>Principal</i>		
K	24; 29 w/ aide		24 to 1		<i>ELEMENTARY SCHOOL POSITIONS</i>					
1	30						.20 per 100 students (500 to 1)	less than 300 students=.50; 300 or greater students=1.0	less than 600 students=0.0; 600 to 899 students=.50; 900 or greater students=1.0	less than 300 students=.50; 300 or greater students=1.0
2	30									
3	30									
4	35									
5	35	25 to 1		<i>MIDDLE SCHOOL POSITIONS</i>						
6	35					.20 per 80 students (400 to 1)	less than 300 students=.50; 300 to 999 students=1.0; 1,000 or greater students=2.0	less than 600 students=0.0; 1.0 per 600 students	1.0	
7	35									
8		24 to 1 in FY2005	24 to 1		<i>HIGH SCHOOL POSITIONS</i>					
9		-----					.20 per 70 students (350 to 1)	less than 300 students=.50; 300 to 999 students=1.0; 1,000 or greater students=2.0	less than 600 students=0.0; 1.0 per 600 students	1.0
10		21 to 1 in FY2006								
11										
12										
UN										

Other funded division-wide SOQ standards adopted by the 2004 General Assembly:

Five resource teachers in art, music, and physical education per 1,000 students in grades K-5

One technology support position per 1,000 students in grades K-12 in FY2005

One support technology and one instructional technology position per 1,000 students in grades K-12 in FY2006

17 instructional positions per 1,000 students identified as having limited English proficiency (ESL)

Professional Support Positions

Assistant Superintendent

Instructional Professional

- Guidance Admin.
- Social Worker Admin.
- Social Worker Instructional
- Social Worker Other
- Homebound Admin.
- Improvement Admin.
- Improvement Instructional
- Media Admin.
- Media Instructional

Attendance & Health Administrative

- Administrative
- Other Professional

Attendance & Health Technical/Clerical

- Technical
- Clerical

Operation & Maintenance Professional

- Administrative
- Other Professional

Instructional: Technical & Clerical (each)

- Guidance
- Improvement
- Media
- Principal
- Social Worker Clerical
- Homebound Clerical

Non-Professional Support Positions

Operation & Maintenance Tech. & Clerical

- Technical
- Clerical
- Trades
- Laborer
- Service

School Nurse

Pupil Transportation

Superintendent

School Board Members

Per Pupil Amounts used in 2004-2006 Direct Aid Budget Calculations		
Example School Division		
<u>BUDGET VARIABLES:</u>	<u>Final - FY 2005</u>	<u>FY 2006</u>
UNADJUSTED ADM	6,077.94	5,933.00
COMPOSITE INDEX	0.3132	0.3132
BASIC AID	4,804.00	4,888.00
TEXTBOOK	63.12	63.12
VOCATIONAL EDUCATION	69.00	82.00
GIFTED EDUCATION	38.00	38.00
SPECIAL EDUCATION	364.00	422.00
REMEDIAL EDUCATION	65.00	64.00
REMEDIAL SUMMER SCHOOL	380.00	380.00
LOTTERY incentive-based	236.95	245.24
VRS RETIREMENT	163.00	187.00
SOCIAL SECURITY	190.00	199.00
GROUP LIFE	premium holiday	premium holiday
COMPENSATION SUPPLEMENT	FY 2006 Only	77.00
GOVERNOR'S SCHOOL	3,541.00	3,543.00

COMPOSITE INDEX FUNDING FORMULA

Average Daily Membership (ADM) Component =

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

Population Component =

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

Local Composite Index =

$$\{(.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})\} \times 0.45$$



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