



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN BARRY D. KNIGHT

November 14, 2023

K-12 UPDATE

Prepared By
House Appropriations Committee Staff



SCHOOL CONSTRUCTION INITIATIVES

SCHOOL CONSTRUCTION INITIATIVES

- In 2022, the General Assembly authorized **\$1.25 billion in grants and low interest loans** for school construction through three initiatives:

\$400.0
million in
grants

One-Time Formula-Based School Construction Grants

\$400.0
million in
loans

Restructured Literary Fund Loan Program

\$450.0
million in
grants

Targeted School Construction Assistance Grants

- As of October 2023, **\$909.2 million** in grants and loans have been awarded to support **at least \$2.2 billion** in school construction projects
 - For comparison, in each of the last six years (FY 2018 through FY 2023), on average **\$822.5 million** worth of school construction projects were completed each year

SCHOOL CONSTRUCTION INITIATIVES

\$400.0
million in
grants

Formula-Based School Construction Grants

One-Time; distributed in FY 2023

Funds distributed based on each school division receiving \$1.0 million base payment, remaining funds distributed based on LCI-weighted ADM

- Permitted uses:
 - New construction, addition, renovation
 - Infrastructure
 - Site acquisition
 - Technology
 - Modernizing classroom equipment
 - School safety equipment & renovations
 - Debt service payments on projects less than 10 years old
- Prohibited uses:
 - Parking lot repair or replacement
 - Facilities used primarily for extracurricular athletics
- School divisions were permitted to carry forward funds to future fiscal years for these permitted uses, provided the funds are maintained separately in local escrow account.

SCHOOL CONSTRUCTION INITIATIVES

\$400.0
million in
loans

Restructured Literary Fund Loan Program

\$143.9 million in low-interest loans
supporting \$289.4 million in projects

History

- Constitutionally-established Literary Fund has long served as a source of low-interest loans to school divisions for construction
- Fund receives revenues from fines, forfeitures, and unclaimed property
- Loan activity nearly ceased in recent decades. Problems included:
 - Insufficient fund balance available for borrowing, as excess balances were used to support state's share of teacher retirement costs
 - Maximum loan amount of \$7.5 million was insufficient to finance projects
 - Interest rates established in statute were not responsive to market rates

LITERARY FUND PROGRAM

- The 2022 General Assembly implemented these program changes, enabling authorization of \$400.0 million in loans over the biennium:
 - Allowed the fund balance to grow by ceasing the practice of using excess fund balances to support the state's share of teacher retirement costs
 - \$83.0 million GF provided each year
 - Increased the maximum per project loan amount from \$7.5 million to \$25.0 million (or \$30.0 million for school consolidation projects)
 - Required program interest rates to be benchmarked to a market index
 - Transitioned to open application process; eliminating the existing waitlist process

LITERARY FUND PROGRAM

- **February 2023:** Applications accepted for \$200.0 million in loans



Interest Rates Offered – February 2023 Application Round			
Local Composite Index	Up to .2999	.3000 - .3999	.4000 - .8000
Interest Rate Offered	2.0%	3.0%	3.24%

- 18 qualifying applications accepted for total of \$143.9 million in loans
 - All qualified for either 2.0% or 3.0% rates and 20 to 30 year terms
- **November 16, 2023:** Due date to apply for remaining \$256.1 million in loans


Interest Rates Offered – November 2023 Application Round			
Local Composite Index	Up to .2999	.3000 - .3999	.4000 - .8000
Interest Rate Offered	2.0%	3.0%	3.74%


LITERARY FUND LOAN PROGRAM

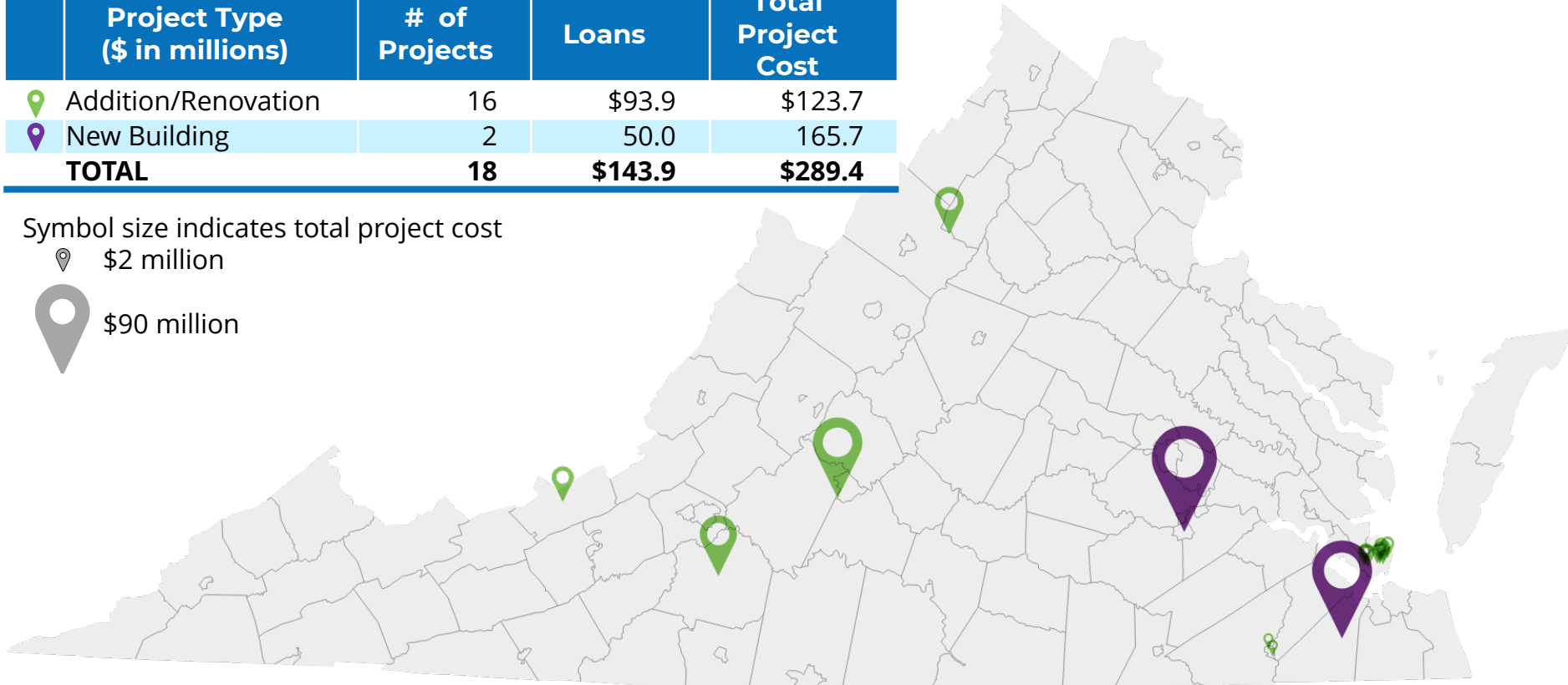
February 2023 open application period - Accepted projects

	Project Type (\$ in millions)	# of Projects	Loans	Total Project Cost
	Addition/Renovation	16	\$93.9	\$123.7
	New Building	2	50.0	165.7
TOTAL		18	\$143.9	\$289.4

Symbol size indicates total project cost

 \$2 million

 \$90 million



SCHOOL CONSTRUCTION INITIATIVES

\$450.0
million in
grants

Targeted School Construction Assistance Grants

\$365.3 million awarded in FY 2023,
supporting \$1,501.5 million in projects

- New program providing competitive grants to school divisions to cover a portion of qualifying construction project costs

30% grant

localities with
high fiscal stress or
LCI <.3000

20% grant

localities with above-
average fiscal stress or
LCI between .3000 & .4000

10% grant

all other localities

Qualifying project costs

- Planning and design
- Site acquisition
- Construction

Non-Qualifying project costs

- Financing costs
- Outdoor facilities used for extracurricular activities
- Loose equipment and furniture

- One-time \$450.0 million deposit in FY 2023 to provide initial grants
 - Ongoing, dedicated support will be provided from casino gaming revenues

TARGETED SCHOOL CONSTRUCTION ASSISTANCE GRANTS

Selection criteria

- Applicants must demonstrate sufficient **commitment, need and poor school building conditions**, based on Board of Education-developed scoring criteria

Commitment 15 possible points	Need 55 possible points	Building Conditions 30 possible points
<ul style="list-style-type: none">▪ Local governing body commits to maintain or increase funding for public education for duration of project financing▪ Extent of project design and site acquisition completed	<ul style="list-style-type: none">▪ % of free lunch eligibility▪ % residents in poverty▪ Local composite index▪ Fiscal stress▪ Debt capacity▪ Included in Capital Improvement Plan	<ul style="list-style-type: none">▪ Condition of facilities proposed to be upgraded▪ ADA compliance▪ Overall condition of other facilities in the school division

- Board of Education-established a minimum threshold of 65 of 100 possible points

TARGETED SCHOOL CONSTRUCTION ASSISTANCE GRANTS

First round of grants awarded

- **May 2023:** Board of Education awards \$365.3 million in grants
 - 40 grant applications awarded – all met the scoring benchmark
 - 65 applications denied – scoring threshold not met

Applications Received	Awarded Grants
59 school divisions	28 school divisions
105 projects	40 projects
\$579.0 million sought	\$365.3 million awarded
Total project costs: ~\$2.9 billion	Total project costs: ~\$1.5 billion

TARGETED SCHOOL CONSTRUCTION GRANTS: \$365.3 MILLION AWARDED



- **Most funds awarded in first round for projects in 30% award tier**

Grant Award Amount (\$ in millions)	Applied For	Award Amount	Total Project Cost
30% Grant localities with high fiscal stress or LCI <.3000	\$239.4	\$233.8	\$665.7
20% Grant localities with above-average stress or LCI .3000 to .3999	262.3	118.7	593.6
10% Grant all other localities	77.3	12.9	128.7


- **Building Conditions:** 31 (77.5%) of grants awarded to address buildings in poor condition
- **Commitment:** 22 of 28 (78.5%) school division recipients entered into an agreement with their local governing body to maintain or increase the percent of local revenues dedicated to public education for the duration of project financing


TARGETED SCHOOL CONSTRUCTION GRANTS: \$365.3 MILLION AWARDED

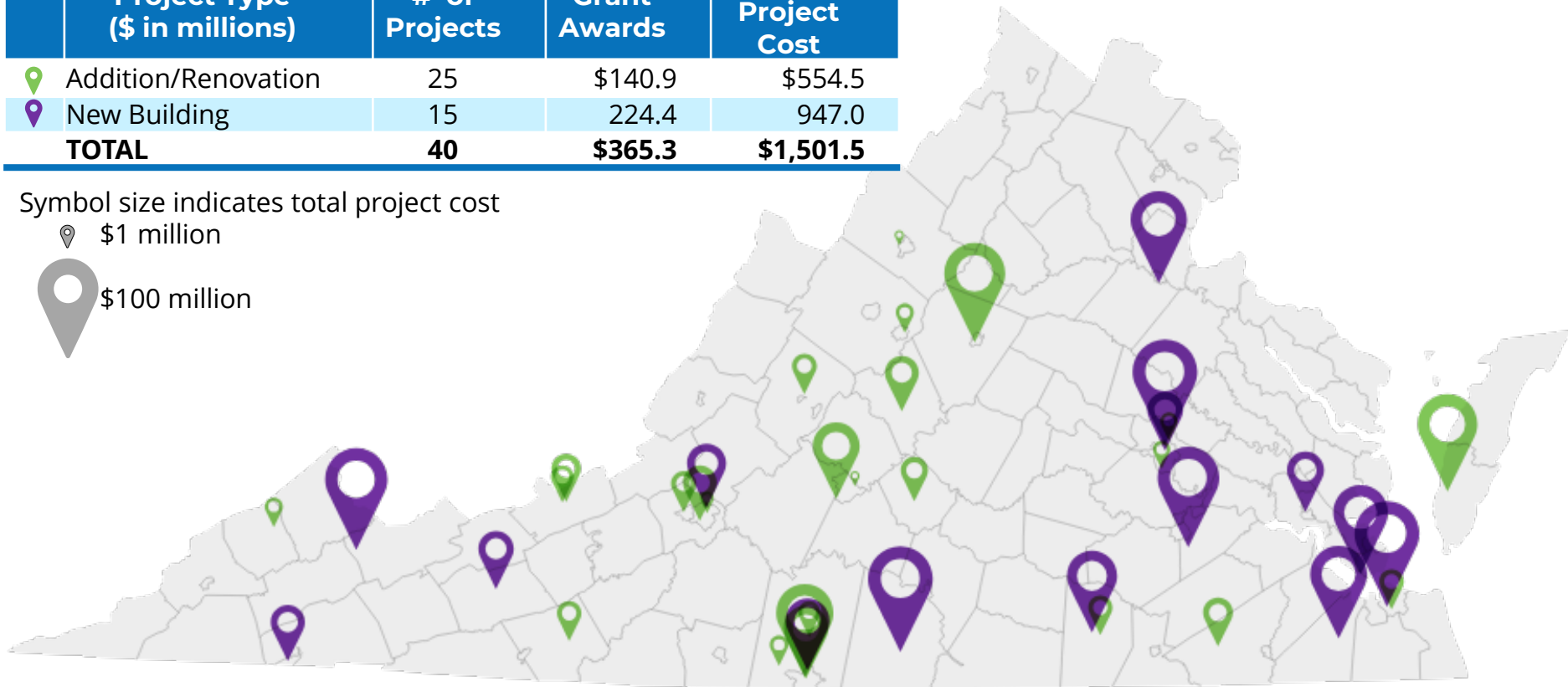
May 2023 - Grants Awarded

	Project Type (\$ in millions)	# of Projects	Grant Awards	Total Project Cost
	Addition/Renovation	25	\$140.9	\$554.5
	New Building	15	224.4	947.0
TOTAL		40	\$365.3	\$1,501.5

Symbol size indicates total project cost

 \$1 million

 \$100 million

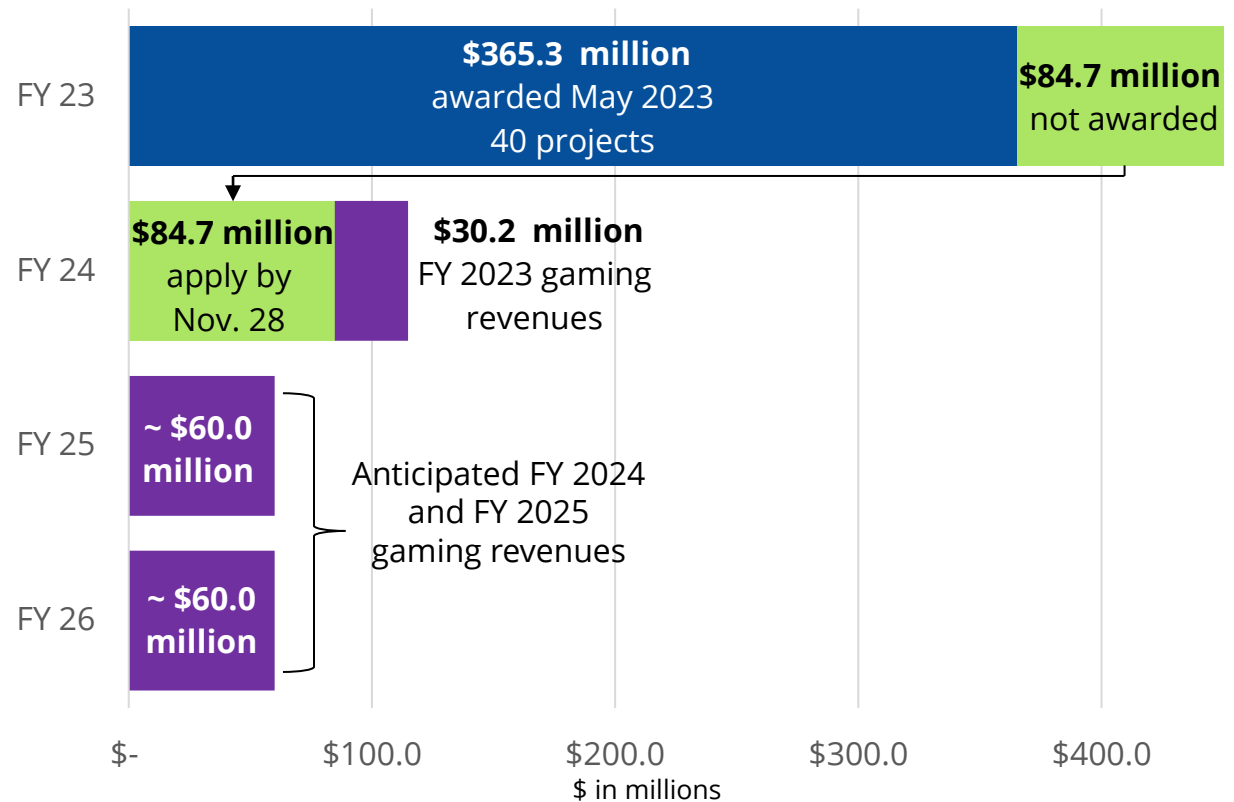


TARGETED SCHOOL CONSTRUCTION GRANTS: AVAILABLE FUNDS

Future rounds of grants will be smaller than those awarded in May 2023

- Applications accepted for remaining \$84.7 million through November 28
- Sufficient funding will only be available for very highest scoring applications
- Three operating casinos expected to provide about \$60.0 to \$75.0 million annually in future years

Available & Anticipated Funding for Targeted School Construction Grants



SCHOOL BUILDING CONDITION DATABASE

- Targeted School Construction Grant Program legislation also required the establishment of a state-level data system to collect information about school building conditions
 - System will help school divisions determine the relative age of each building and maintenance reserve funds needed to restore each building
 - School divisions required to annually maintain data
 - Department of Education adopted the Department of General Services' MR-FIX platform
 - Initial data collection began this summer and is nearly complete

SCHOOL CONSTRUCTION: NEXT STEPS

Restructured Literary Fund Loan Program

- **November 16, 2023:** Next round of applications due for remaining \$256.1 million in authorized loans at 2.0%-3.74%
- In near-term, demand for loans expected to steadily increase as projects advance to “shovel ready” stage in response to state school construction funding
- As demand peaks and loan repayments begin, excess Literary Fund balances may be used to meet other eligible needs

Targeted School Construction Grants

- **November 28, 2023:** Next round of applications due for remaining \$84.7 million
- **December 1, 2023:** Annual report may include program improvement recommendations
- Incorporation of school building condition database as grant criteria to further target funds to most vital projects
- Smaller pool of available funds in future grant rounds may reveal need to revise criteria



2023 JLARC REPORTS

JLARC: K-12 FUNDING FORMULA

- SJ 294 (2021) directed JLARC to study the true cost of education in the Commonwealth and provide an accurate assessment of the costs to implement the Standards of Quality, and further to:
 - Estimate the cost of implementing the Standards of Quality based on the actual expense of education prevailing in the Commonwealth;
 - Determine if the Standards of Quality accurately reflect actual standards of practice within each school division;
 - Analyze changes in the Standards of Quality funding formula since 2009 and the impact of such changes on its accuracy in reflecting such costs;
 - Recommend changes to the Standards of Quality funding formula to ensure that state support is neither inadequate nor excessive;
 - Consider any other funding issues and make any other recommendations it deems relevant

JLARC: K-12 FUNDING FORMULA RECOMMENDATIONS & OPTIONS

Scope of complex recommendations & policy options warrant public process, further review, and prioritization

Potential Student-Based Formula

- Replace the current staffing-based SOQ formula with a new student-based SOQ formula based on actual average school division expenditures (Policy Option 4)
- Replace staffing-based SOQ formula for Special Education & English Language students with student-based funding calculations based on actual school division expenditures (Policy Option 5)

Cost Assumptions & Calculations

- Near Term: Discontinue Great Recession-era cost reduction measures (Recommendation 4) *\$515.0 million*
- Near Term: Calculate prevailing costs using division average, rather than linear weighted average (Recommendation 6) *\$190.0 million*
- Long Term: Update out-of-date salary assumptions during rebenchmarking (Recommendation 5) *Cost depends on timing*
- Implement funding plan to achieve state goal for teacher salaries. (Policy Option 1) *Cost depends on goal & timing*

Staffing Ratios

- Near Term: Address technical issues with the formula (Recommendation 1) *\$45.0 million*
- Long Term: Develop & adopt new staffing ratios, based on actual staffing (Recommendations 2-3) *\$1,860.0 million*

JLARC: K-12 FUNDING FORMULA RECOMMENDATIONS & OPTIONS

Recommendations and policy options (continued)

Unique Needs of School Divisions and Student Populations

- Near Term: At-Risk Funding - Replace outdated free lunch measure; convert to SOQ-mandated funding; consolidate with prevention, intervention & remediation funds (Recommendations 8-10) *\$250.0 million*
- Near Term: Direct further study of special education staffing needs (Recommendation 11)
- Long Term: Replace COCA with more accurate method (Recommendation 12) *\$595.0 million*
- Long Term: Adopt economies of scale adjustment for small school divisions (Recommendation 13) *\$90.0 million*

State & Local Shares: Local Composite Index (LCI)

- Near Term: Change LCI to three-year average (Recommendation 7) *\$1.5 million savings*
- Weight student and general population equally in LCI (Policy Option 2) *\$45.0 million savings*
- Replace LCI with revenue capacity index (Policy Option 3) *\$85.0 million savings*

Improving Formula Use & Management

- Modernize K-12 reporting and IT application used for SOQ formula (Recommendations 17-19)
- Determine staffing needed to adequately maintain funding formula and provide support to divisions (Recommendation 20)

JOINT SUBCOMMITTEE TO ADDRESS RECOMMENDATIONS

Joint Subcommittee on Elementary and Secondary Education Funding established in 2023 Special Session I Budget

Purpose:

- To provide ongoing oversight on Standards of Quality funding policies

Initial task – Due November 1, 2024

- Review JLARC's recommendations and policy options, propose appropriate amendments and develop a long-range plan for phased implementation, giving consideration to long-term fiscal implications

Membership:

- Five House Appropriations Committee members
- Five Senate Finance and Appropriations Committee members

JLARC: K-12 TEACHER PIPELINE

JLARC-initiated study to review the supply of qualified individuals needed to fill needed K-12 teaching positions

- Identify historical and current numbers of K-12 teachers needed and available and project the adequacy of the future supply of available teachers to accommodate future need
- Evaluate factors contributing to the decline in the number of individuals entering teacher preparation programs;
- Evaluate the state process to determine qualifications and credentials needed to be a fully licensed teacher; and
- Identify effective or innovative practices used in other states to maintain or increase the number of individuals entering and graduating from teacher preparation programs and becoming fully licensed teachers

JLARC: K-12 TEACHER PIPELINE RECOMMENDATIONS & OPTIONS

Relevant recommendations & policy options:

Traditional Pathways to Becoming a Teacher

- **Va. Teaching Scholarship Loan Program.** Increase funding from current \$708,000 annual appropriation (Recommendation 5)
- **Teacher Prep Program Outcome Analysis.** Establish new database to analyze and share information with Programs about their graduates' employment & instructional quality (Recommendation 9)
- **Paid Internship Scholarship for Aspiring Va. Educators.** Award stipends of up to \$15,000 for student teaching (Policy Option 4)

Alternative Pathways to Becoming a Teacher

- **Provisionally Licensed Teacher Pedagogy Coursework.** Create pilot program for such teachers to complete coursework quickly and at no cost (Policy Option 1)
- **Teacher Residency Programs.** Increase funding from current \$2.3 million appropriation (Policy Option 2)
- **Praxis & VCLA Grants.** Reinstate competitive grant funding to cover test preparation and assessment costs (Policy Option 3)

Supporting New Teachers

- **Targeted Mentorship Assistance.** Establish a pilot program to provide trained mentors to new teachers in divisions with high vacancy rates (Policy Option 5)

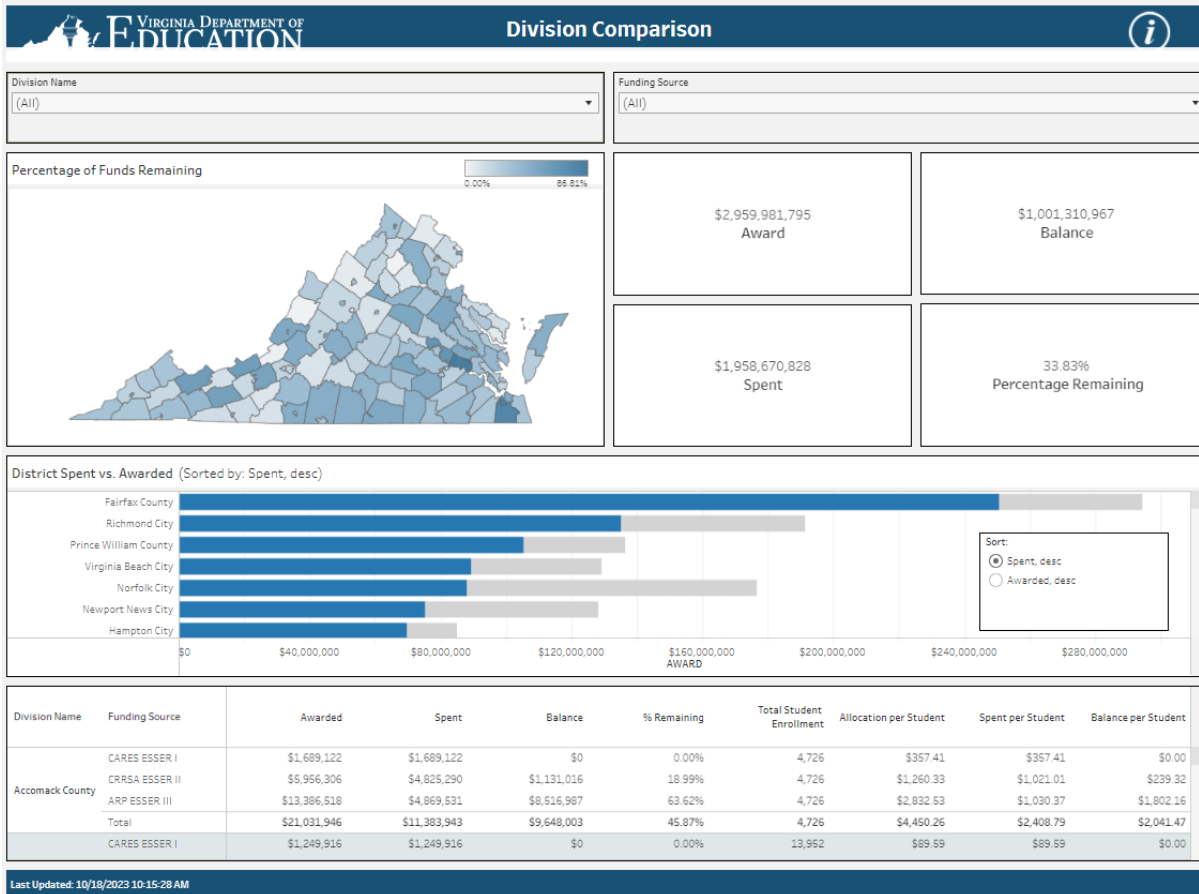


NEW K-12 INTERACTIVE DATA DASHBOARDS

K-12 INTERACTIVE DATA DASHBOARDS

- DOE recently launched several interactive data dashboards
 - ESSER Funds Allocation Dashboard
 - Teacher & School Staffing Vacancy Dashboard
 - Learning Recovery Dashboard
- From the agency webpage (doe.virginia.gov)
 - Go to State Board, Data & Funding > Data & Reports > Interactive Data Dashboards
- These are in addition to the school quality profiles available at schoolquality.virginia.gov

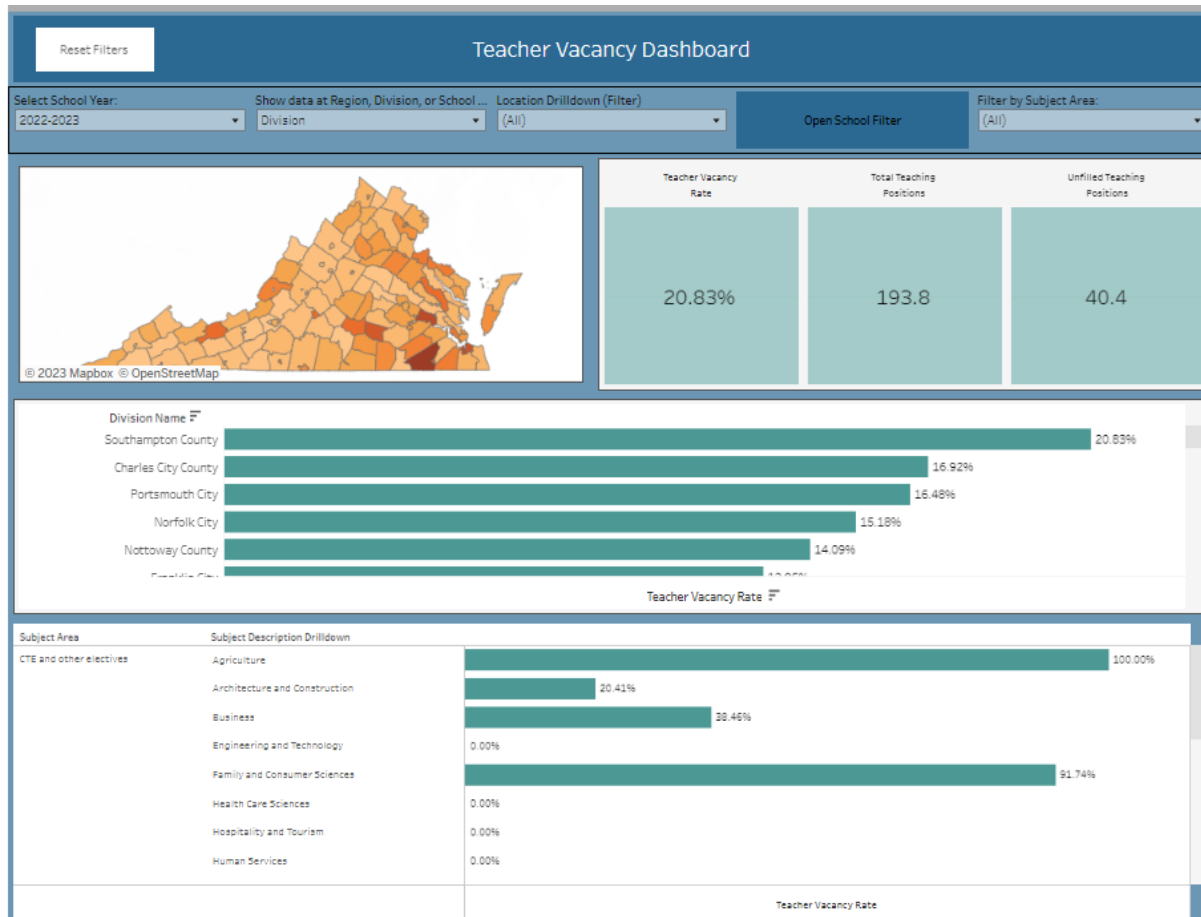
ESSER SPENDING DASHBOARD



Allows users to drill down to school division level to view:

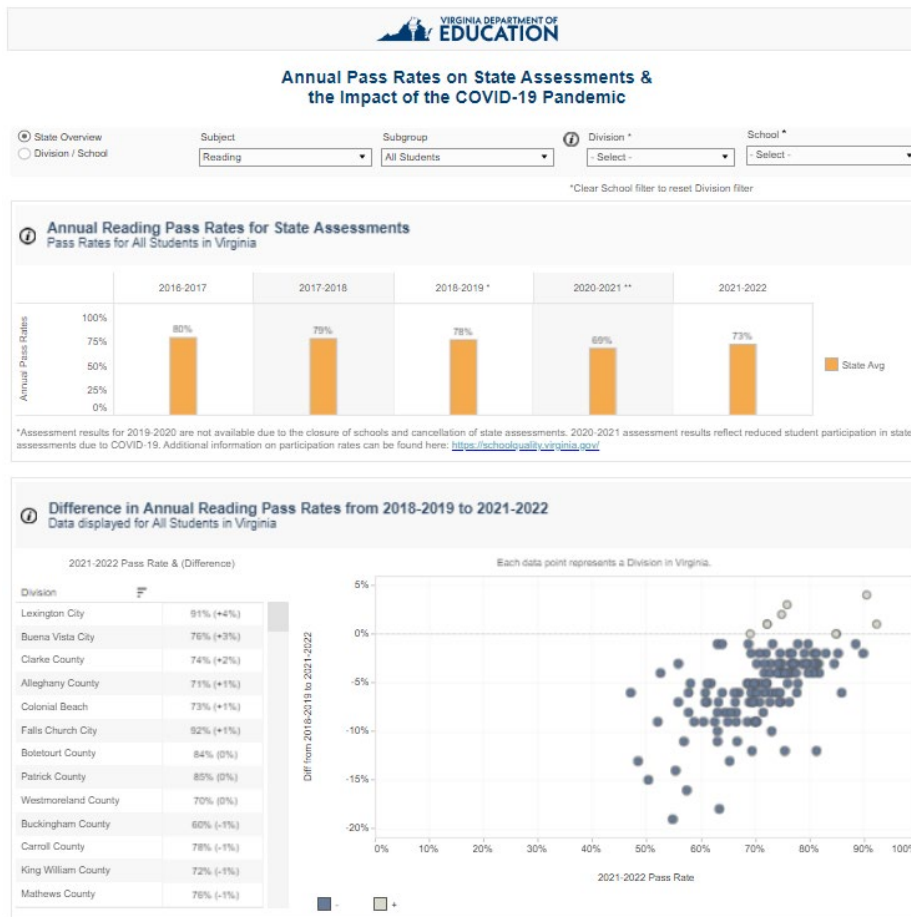
- ESSER funds expended and remaining available for obligation through September 30, 2024
- Comparison between school divisions
- Detail on state set-aside ESSER funds granted to school divisions
- Detail on intended uses of funds

TEACHER & SCHOOL STAFFING VACANCY DASHBOARD



- Provides vacancy rates for positions in public schools
 - Available from state-level down to school-level
 - Detail provided for specific disciplines
 - Reports year-over-year changes in vacancies

LEARNING NEEDS DASHBOARD



- Compares pre- and post-pandemic SOL Assessment data
 - Displays rate of change between 2018-19 and 2021-22 test administration
 - Available from state-level down to school-level
 - Includes detail by subject area and student subgroup
 - Will be updated soon with 2022-23 test data