



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

January 15, 2024

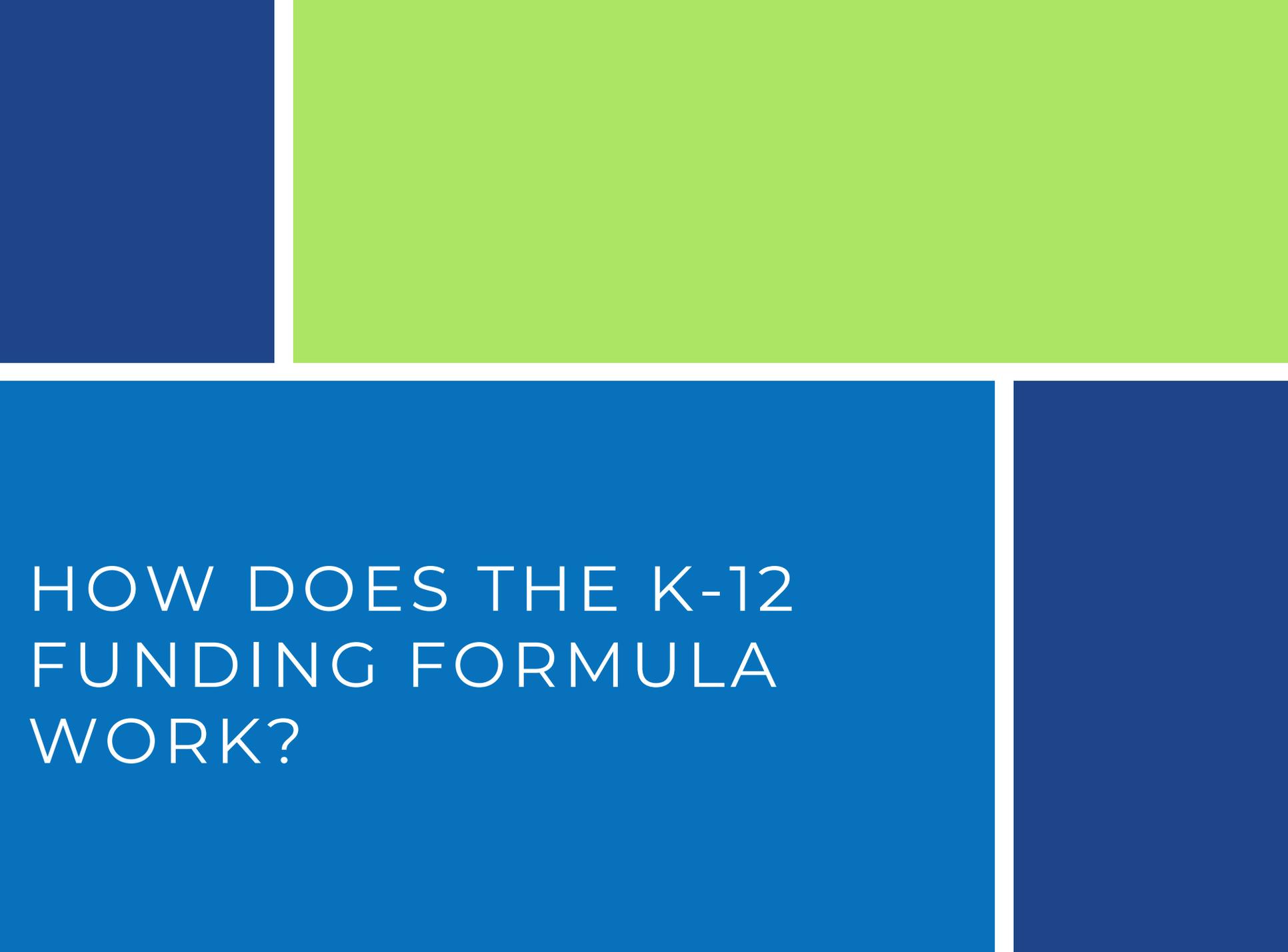
ELEMENTARY AND SECONDARY EDUCATION 101

Prepared By
House Appropriations Committee Staff

SUBCOMMITTEE OVERVIEW

- The Elementary & Secondary Education Subcommittee is responsible for these agencies:

Agency/Area (\$ in millions)	FY 2024 GF	FY 2024 NGF
Direct Aid to Public Education	\$9,215.0	\$1,981.0
Department of Education	81.6	344.3
Virginia School for Deaf & Blind	11.9	1.3
Secretary of Education	0.8	0.0
Total	\$9,309.3	\$2,326.6



HOW DOES THE K-12 FUNDING FORMULA WORK?

CONSTITUTIONAL PROVISIONS

Article VIII, Section 2

- ...The General Assembly shall determine the manner in which funds are to be provided for the **cost of maintaining an educational program meeting the standards of quality**, and shall provide for the apportionment of the cost of such program between the Commonwealth and the local units of government...

Article VIII, Section 8

- The General Assembly shall set apart as a permanent and perpetual school fund the present **Literary Fund**... so long as the principal of the Fund totals as much as eighty million dollars, the General Assembly may set apart all or any part of additional moneys received into its principal for public school purposes, including the teachers retirement fund...

Article X, Section 7-A

- The General Assembly shall establish the **Lottery Proceeds Fund**...Lottery Proceeds shall be appropriated from the Fund to the...counties, cities and towns, and the school divisions thereof, to be expended for the purposes of public education

STANDARDS OF QUALITY

- The Constitution directs the Board of Education to develop the Standards of Quality (SOQ), which may be amended by the General Assembly
 - *Code of Virginia* § 22.1-18.01, further requires the Board of Education, in odd-numbered years, to biennially review the SOQ and recommend appropriate amendments

Standards of Quality (codified at § 22.1-253.13.2)

Standard 1

- Instructional standards

Standard 2

- Staffing standards

Standard 3

- Accountability, Accreditation, Assessment

Standard 4

- Graduation requirements

Standard 5

- Professional development standards

Standard 6

- Planning and public involvement expectations

Standard 7

- School board policy expectations

Standard 8

- Compliance

- Standard 2 establishes staffing ratios and drives most SOQ costs

STAFFING STANDARDS

As provided in SOQ Standard 2 and the Appropriation Act

Classroom Teaching Positions

Grade K	1:24 divisionwide; max. class size 24, 29 if aide provided
Grade 1-3	1:24 divisionwide; max. class size 30
Grade 4-6	1:25 divisionwide; max. class size 35
Grade 6-12 English	1:24 divisionwide

Other Instructional Positions

Principals	1.0 FTE per school
Assistant Principals	elem: 600-899: 0.5 FTE ≥ 900: 1.0 FTE middle & high: 1.0 FTE per 600
Librarians	≤ 300: 0.5 FTE ≥ 300: 1.0 FTE middle & high only: ≥ 1,000: 2.0 FTE
K-5 Resource Teachers	5:1,000 students in K-5
Reading Specialists	K-5: 1 FTE per 550 6-8: 1 FTE per 1,100
School Counselors	1:325 students
IT Resource & Support	2:1,000 students

Support Positions

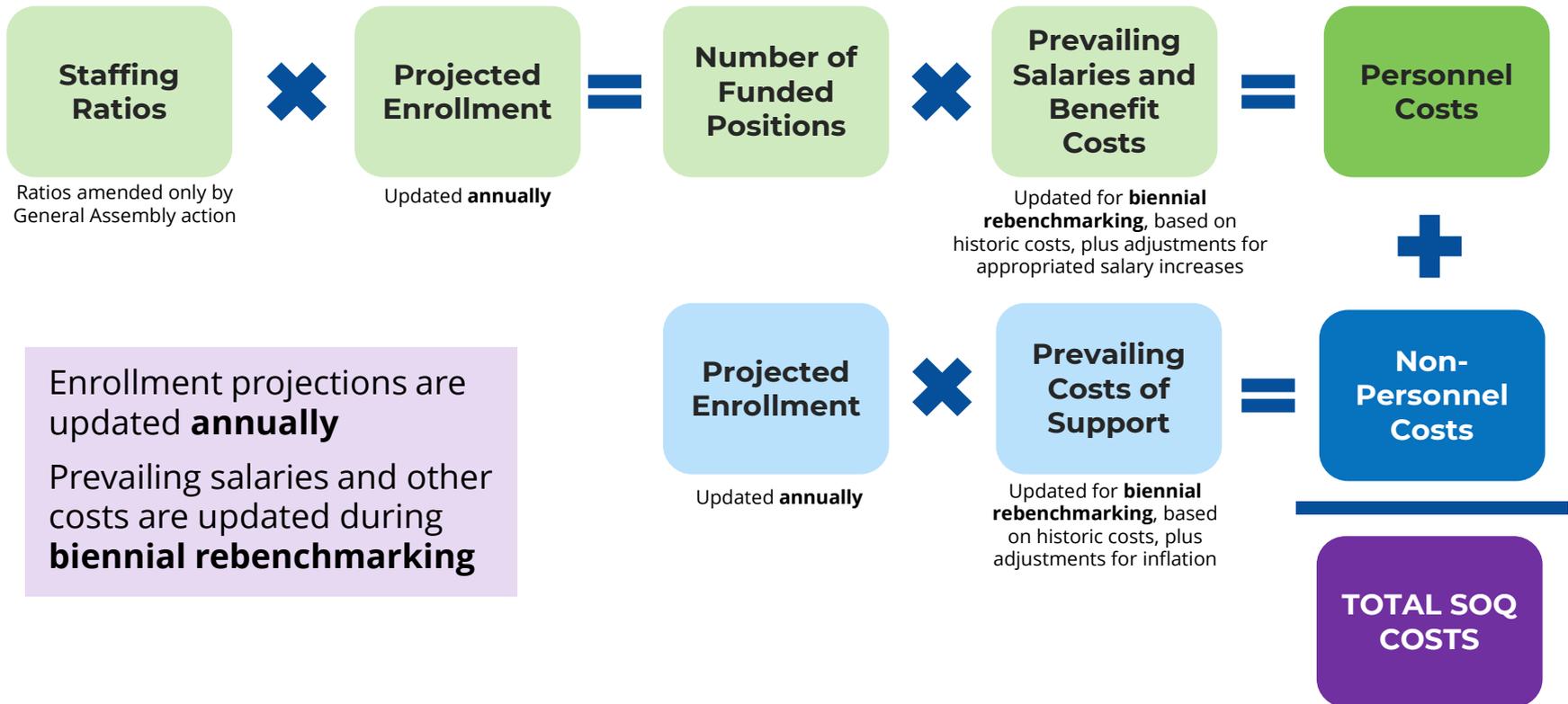
Specialized Student Support (social workers, psychologists, nurses)	3:1,000
Other Support Positions, such as: <ul style="list-style-type: none"> • executive and central office • operations and maintenance • transportation • clerical 	24:1,000

Other SOQ Positions (Not included in Basic Aid)

Prevention, Intervention, Remediation	1:10 to 1:18, based on SOL failure rates, one hour per day
English Learner Teachers	20 per 1,000 English Learner students
Special Education & CTE Teachers	6 per 1,000 students
Gifted Teachers	1 per 1,000 students
Remedial Summer School	1 per 18 eligible students

ESTIMATING TOTAL SOQ COSTS

Formula applies staffing ratios, prevailing personnel and support costs to enrollment projections to determine the total SOQ cost

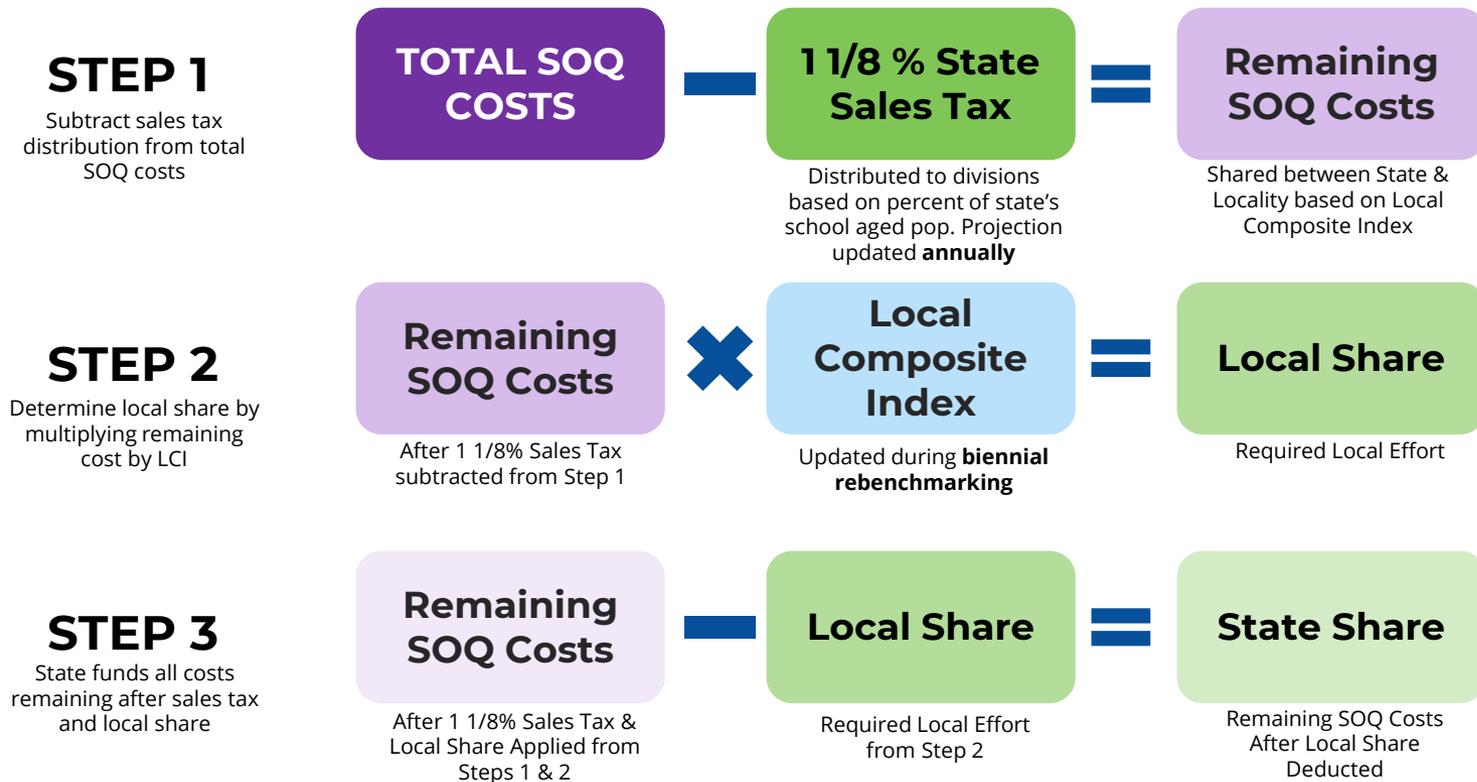


SHARING SOQ COSTS: LOCAL COMPOSITE INDEX

- The **Local Composite Index of Ability-to-Pay (LCI)** determines the state and local funding responsibility for each school division
- Compares the fiscal capacity of each locality among all Virginia localities by considering, on a per capita and per pupil basis:
 - Real estate values
 - Adjusted gross income
 - Taxable retail sales
- LCI Values range from .1658 to .8000
 - Divisions with lower fiscal capacity – lower LCI
 - Divisions with greater fiscal capacity – higher LCI
 - LCI is capped at .8000 – ensures state share is at least 20% for all localities

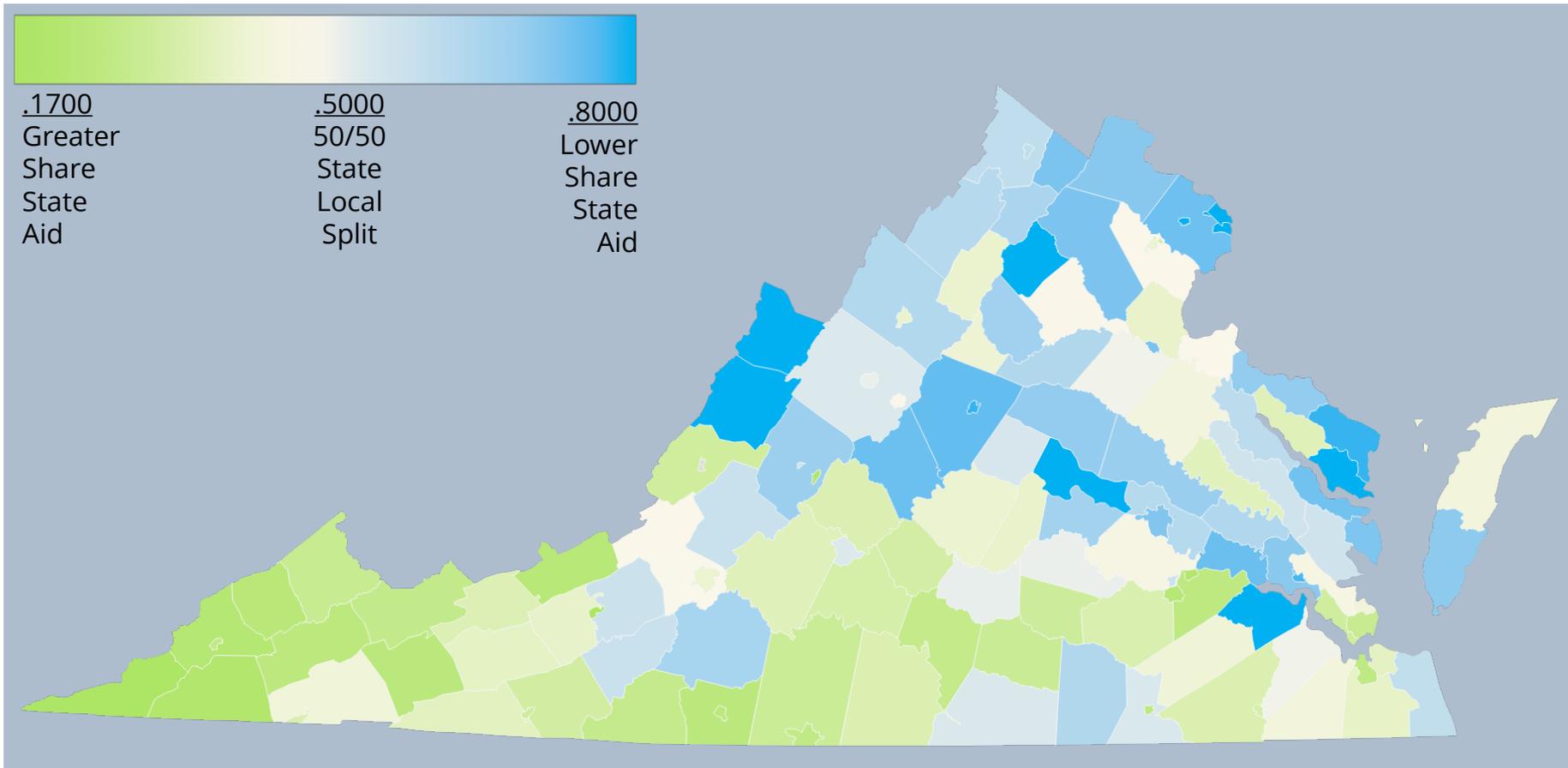
SHARING SOQ COSTS

Dedicated 1 1/8% sales tax is first applied to SOQ costs, remaining costs shared between state and locality based on Local Composite Index

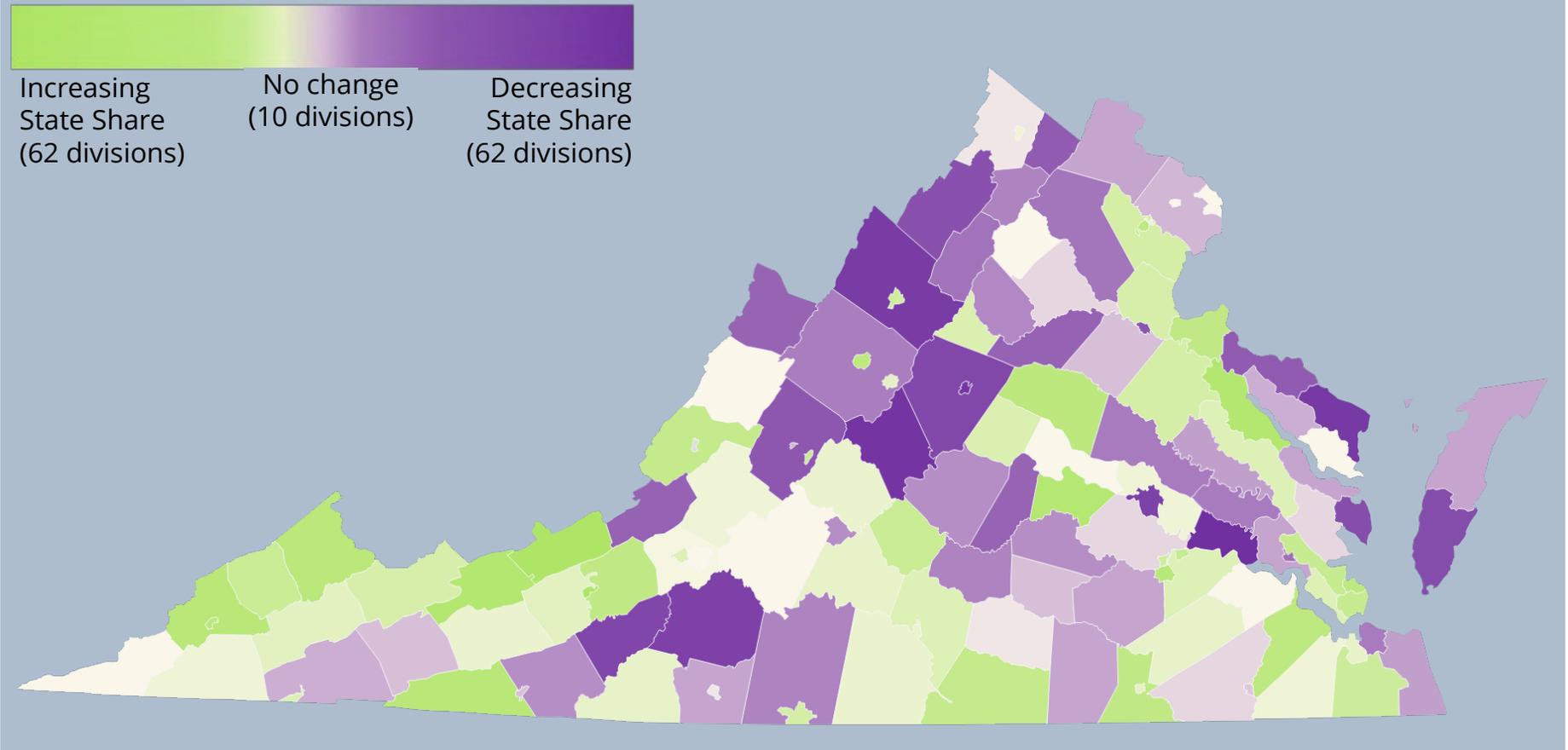


2024-2026

LOCAL COMPOSITE INDEX



STATE AND LOCAL SHARES CHANGE IN LCI: 2022-24 TO 2024-26

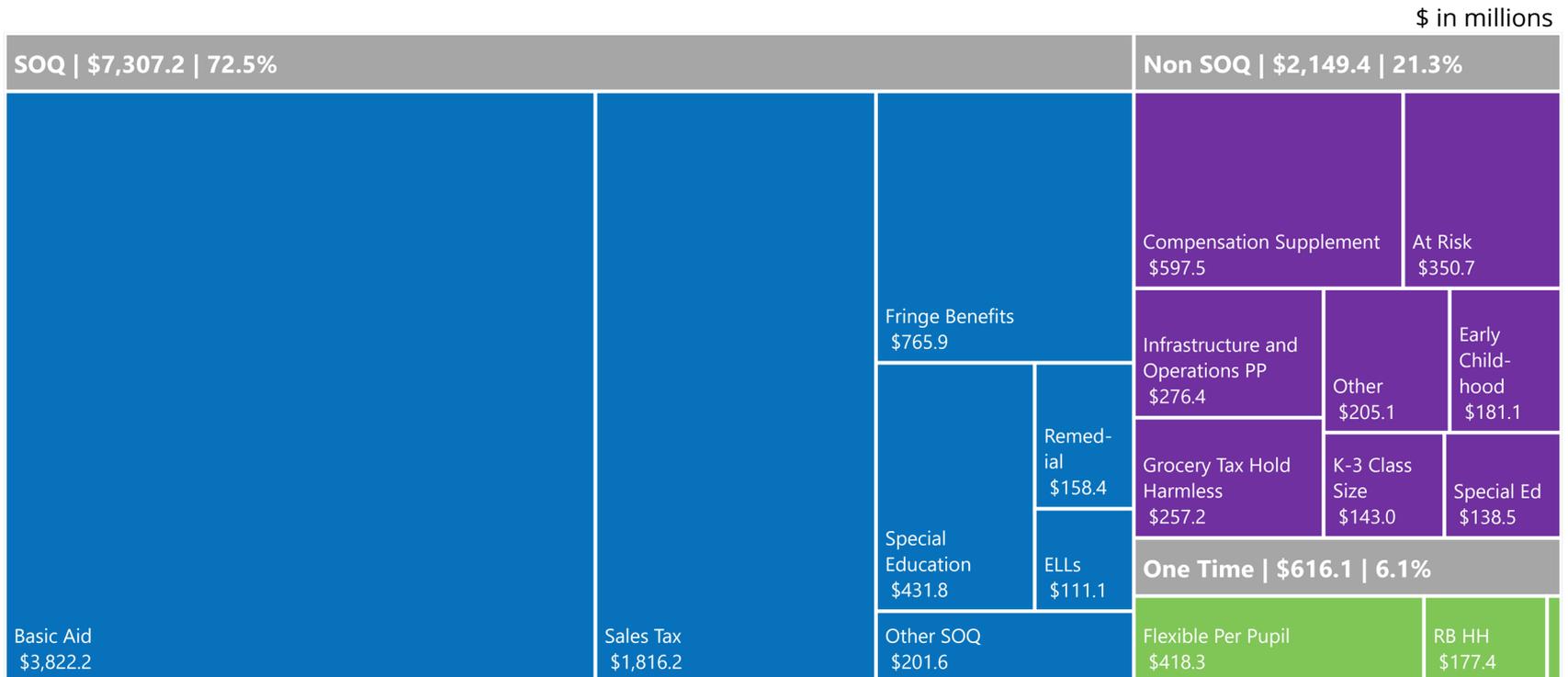




DIRECT AID TO PUBLIC EDUCATION

FY 2024 DIRECT AID APPROPRIATIONS TOTAL \$10.1 BILLION

- Almost three-quarters of K-12 appropriations are SOQ-related
- Beyond the SOQ are several \$100+ million programs
- FY 2024 also included significant one-time investments



REVENUES SUPPORTING DIRECT AID FOR PUBLIC EDUCATION

Revenue Source	FY 24 Projection	(\$ in millions)
General Fund	\$7,398.8	<ul style="list-style-type: none"> In FY 24, about 66% of K-12 funding
Sales Tax (General Fund)	1,816.2	<ul style="list-style-type: none"> 1 1/8% portion of state sales tax Distributed to school divisions based on share of state's school age population
Federal	1,123.3	<ul style="list-style-type: none"> Federal pass-through programs, including funding for: IDEA (Special Ed), Title I-A, School Nutrition Total does not include over \$3.0 billion in federal COVID-19 relief funding available until Sept. 2024
Lottery Proceeds	855.2	<ul style="list-style-type: none"> House's ongoing policy goal has been to distribute 40% of these funds to divisions as flexible per-pupil payments to support infrastructure and operations
Literary Fund	~286.2	<ul style="list-style-type: none"> Supports revolving school construction loans Excess balances may be used to meet other K-12 needs
Casino Gaming	~60.0	<ul style="list-style-type: none"> Dedicated to targeted school construction grants

SOQ FUNDING

Program	FY 24	(\$ in millions)
Basic Aid	\$3,822.2	<ul style="list-style-type: none"> State's share of costs for meeting the SOQ standards and prevailing support costs, after sales tax applied below
Sales Tax	1,816.2	<ul style="list-style-type: none"> 1 1/8% portion of the state sales tax is distributed to school divisions based on share of school-age population These funds reduce the SOQ Basic Aid costs to be shared between state and localities: for every \$1 additional sales tax revenue, state's Basic Aid cost is reduced 45 cents and local share is reduced 55 cents
Fringe Benefits	765.9	<ul style="list-style-type: none"> State share of social security, VRS, and group life insurance costs for SOQ funded positions
Special Education	431.8	<ul style="list-style-type: none"> State share of special education positions based on Board of Education staffing regulations
Remedial	158.4	<ul style="list-style-type: none"> State share of costs for Prevention, Intervention and Remediation based on free-lunch and SOL test failure rates State share of Remedial Summer School costs
English Learners	111.1	<ul style="list-style-type: none"> State share of English Learner teachers, at one per 20 EL students
Other SOQ Programs	201.6	<ul style="list-style-type: none"> State share of prevailing textbook, CTE, and gifted education costs

MAJOR NON-SOQ FUNDING

Program	FY 24	(\$ in millions)
At-Risk Add-On	\$350.7	<ul style="list-style-type: none"> • Supplemental funds distributed based on concentration of free-lunch students • Provides a 1% to 26% add-on to basic aid, based on each school division's percentage of free lunch students • Expanded funding levels in FY 18, FY 21, and FY 22 • Wide variety of permitted uses, generally benefitting educationally at-risk students and teacher recruitment/retention
Infrastructure and Operations Per Pupil	276.4	<ul style="list-style-type: none"> • Provides payments, up to \$406 per-pupil, for any K-12 use • Requires local matching funds, maintenance of effort, and dedication of a portion of funds for non-recurring costs to encourage use of funds for capital needs • House of Delegates' goal has been to dedicate 40% of lottery proceeds directly to these payments
Va. Preschool Initiative	181.1	<ul style="list-style-type: none"> • Funds 22,290 Pre-K slots for at-risk four year-olds • Also includes mixed delivery provider add-on grants and pilot three year-old slots
K-3 Class Size Reduction	143.0	<ul style="list-style-type: none"> • Funds supplemental teachers to provide smaller class sizes in high poverty schools • Some school divisions struggle with utilizing funds due to space limitations and hard-to-fill teaching positions
Special Education	138.5	<ul style="list-style-type: none"> • Includes SISNA to support additional costs for special education students with intensive needs in a public school setting, in lieu of CSA-funded private settings



EARLY CHILDHOOD

EARLY CHILDHOOD CARE & EDUCATION

Four publicly-funded preschool programs serve more than 75,000 children

Program	Va. Preschool Initiative	Mixed Delivery Preschool	Head Start & Early Head Start	Child Care Subsidy Program
State Funds	\$107.7 million GF	\$8.2 million GF	none	\$38.7 million (match)
Other Funds	\$68.0 million (local funds)	\$19.4 million (federal COVID relief)	\$152.0 million (federal FFY 21)	\$128.8 million (federal CCDF) \$137.0 million (federal COVID relief)
Total Funds	\$175.7 million	\$27.6 million	\$152.0 million	\$304.5 million
Children Served	22,290 (92% are age 4)	2,142 (87% are age 3-4)	13,766 (80% are age 3-4)	37,249 (58% are age 0-4)
Est. Cost per Child	\$8,359	\$12,000-14,000	\$9,507-17,911	Avg. \$11,000
Dosage	990 hours per year	~2,600 hrs/year full-day, full-year	1,020 to 1,380 hours per year	~2,600 hrs/year full-day, full-year
Eligibility	Child or family at risk	Child or family at risk	Household income up to 130% FPL	Household income up to 85% of SMI
Notes				<ul style="list-style-type: none"> • \$0-180/month co-pay • parental work requirement

Funding and participation data is from FY 2023, except as noted



ISSUES FOR THE 2024 SESSION

REBENCHMARKING

Rebenchmarking updates K-12 Direct Aid costs for the new biennium, before any policy proposals

2024-26 Rebenchmarking: \$1.3 billion

- Methodology used to deduct federal relief revenue will set precedent for 2026-28 rebenchmarking, which will be based on FY 2024 expenditures
- Projected enrollment decline to begin, reflecting lower birth rates – more divisions to be impacted by declines

Calculations based on FY 2022 school division costs

- First rebenchmarking to be based on post-pandemic costs
- Captures era of high inflation and infusion of federal relief funds

K-12 Direct Aid Cost Updates for 2024-26 (in millions GF)	2024-26 Impact
Prevailing Cost Data	\$1,143.5
<ul style="list-style-type: none"> • \$1.5 billion increase driven by inflation and labor cost increases and addressing learning loss • \$427.1 million in savings primarily due to deduction of FY 2022 ESSER expenditures in base year data 	
Student Enrollment & Characteristics	190.7
<ul style="list-style-type: none"> • Enrollment expected to flatten and begin to decline, however populations requiring additional support continue to increase 	
Update Lottery Proceeds Forecast	4.6
Update sales tax distribution	0.8
TOTAL PRELIMINARY K-12 COST UPDATE	\$1,339.6

REBENCHMARKING: PREVAILING COSTS

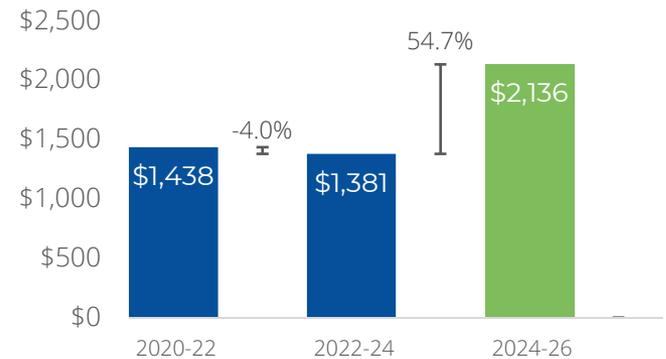
State-recognized non-personnel support increased 54.7%, driven by:

- Increased costs incurred between FY 2020 & FY 2022, especially for instruction, technology, and operations and maintenance
- Lower costs in prior rebenchmarking due to FY 2020 COVID-19 school closure
- Salaries grew at far lower rate, around 12%-15%

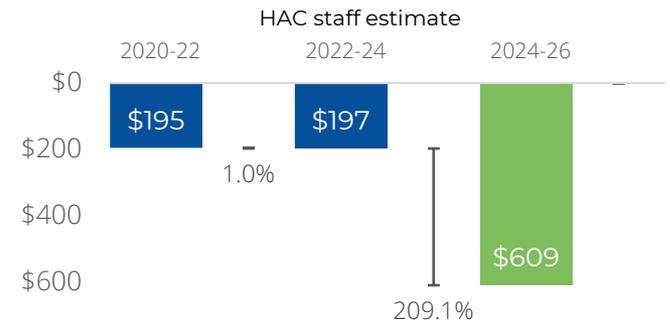
Federal Aid Deduction recognizes some costs are covered with federal funds

- School division ESSER spending in FY 2022 causes deduction to increase threefold, partially offsetting increased support costs

Non-Personnel Support Costs Per-Pupil
HAC staff estimate



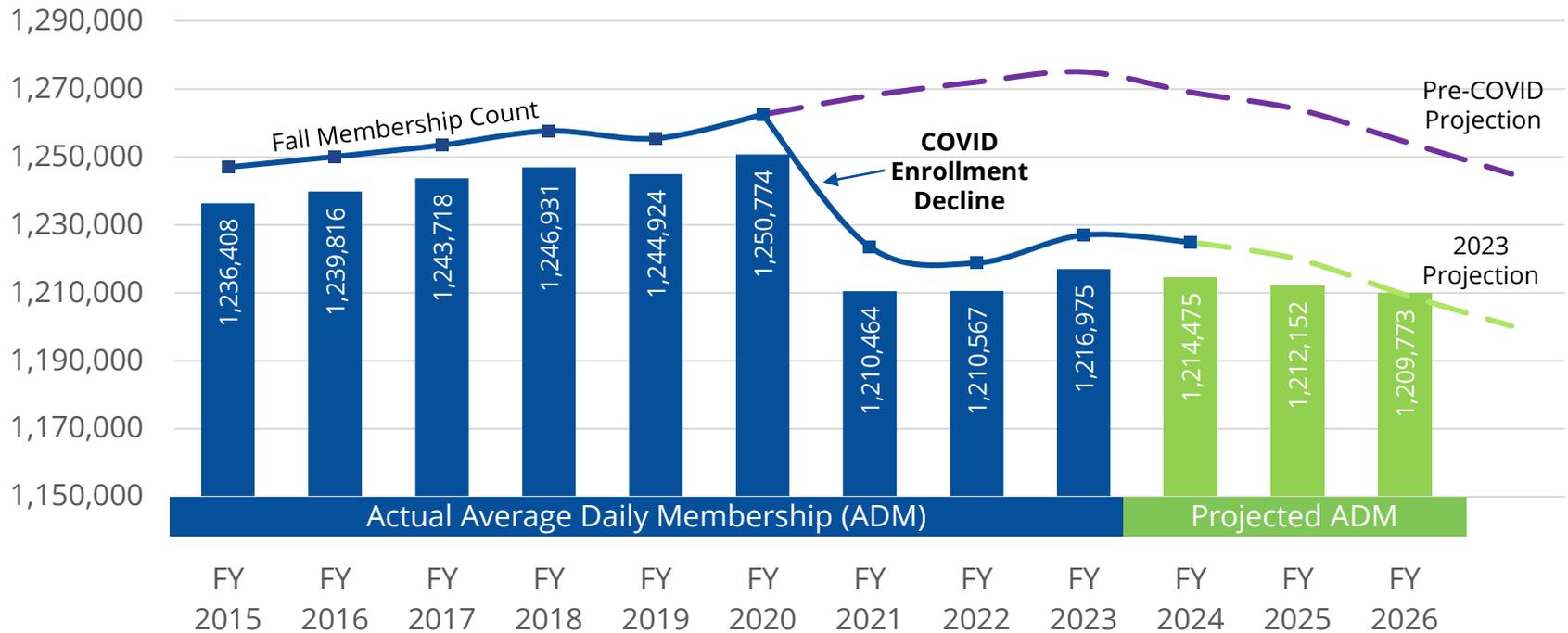
Max. Federal Revenue Deduction Per-Pupil
HAC staff estimate



ENROLLMENT PROJECTIONS

Enrollment expected to decline after FY 2023

- Fall membership count correlates closely to Average Daily Membership – which drives funding
- FY 2024 Fall membership confirms decline that was anticipated before pandemic



CHILD CARE SUBSIDY EXPANSION

About \$380.0 million in federal COVID-19 relief was used to expand the child care subsidy program in FY 2023 and FY 2024

- Increased reimbursement rates for providers
- Expanded income eligibility for families with young children
- Reduced copayments
- Allowed parents seeking work to qualify
- Eliminated waitlists

- Subsidy participation increased by almost 50% between FY 2022 & FY 2024
- Federal funds will not be available after FY 2024
 - About 25,000 children (2/3 of those currently receiving subsidy) will lose access to child care
- Options exist to maintain all or a portion of the program expansion:
 - All aspects of expansion: about \$318.7 million GF
 - Only rates and copays maintained: about \$202.9 million GF

STANDARDS OF QUALITY

- In December 2023, the Board of Education adopted SOQ recommendations
- Recommendations from prior years focused on school staffing ratios

2023 Board SOQ Recommendations (\$ in millions)	Est. Impact FY 2025
Student-weighted funding formula	n/a
Literacy and Flexible Funding Extension	25.0
Flexibility in Work Based Learning/ High School Redesign	none
Statewide IEP System	TBD
Grow Your Own Teacher Pipeline Development	10.0
Modernize Data Collection system	TBD
At-Risk Add-On	25.6

JLARC: K-12 TEACHER PIPELINE

JLARC findings:

- Teacher shortage persists, though some divisions have few vacancies
- Traditional pathways to teacher licensure generally prepare teachers better
- Nontraditional pathways often cost less and are more flexible
- Virginia-specific assessment required for full licensure is outdated and may be unnecessary
- Cost of higher ed programs can be a substantial barrier

Budget-related recommendations and policy options:

Traditional Pathways to Becoming a Teacher

- Increase Virginia Teaching Scholarship Loan funding from current \$708,000 appropriation
- Collect, share, and analyze teacher prep program outcomes relative to graduates' employment and instructional quality
- Award stipends of up to \$15,000 for student teaching

Alternative Pathways to Becoming a Teacher

- Establish pilot program for provisionally licensed teachers to complete coursework quickly and at no cost
- Increase Teacher Residency Program funding from current \$2.3 million appropriation
- Reinstate competitive grant funding to cover Praxis and VCLA test preparation and assessment costs

Supporting New Teachers

- Establish a pilot mentorship program for new teachers in divisions with high vacancy rates

JLARC: K-12 FUNDING FORMULA

JLARC findings:

- Divisions receive less per student than several funding benchmarks
- Some formula components lack rationale and do not reflect practice
- Formula does not account for high-need students, regional labor costs, and division size
- LCI is a reasonable measure of ability to pay
- Most states use a student-based formula, as opposed to Virginia's staffing-based formula

Scope of complex recommendations and 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*

JLARC: K-12 FUNDING FORMULA

To address these recommendations, the 2023 SS I budget establishes a legislative workgroup:

- Consisting of five members each from House Appropriations and Senate Finance and Appropriations Committees
- Tasked with reviewing recommendations and developing a long-range plan to implement as appropriate
- Due November 1, 2024

Recommendations & Policy Options (continued)

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*

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*

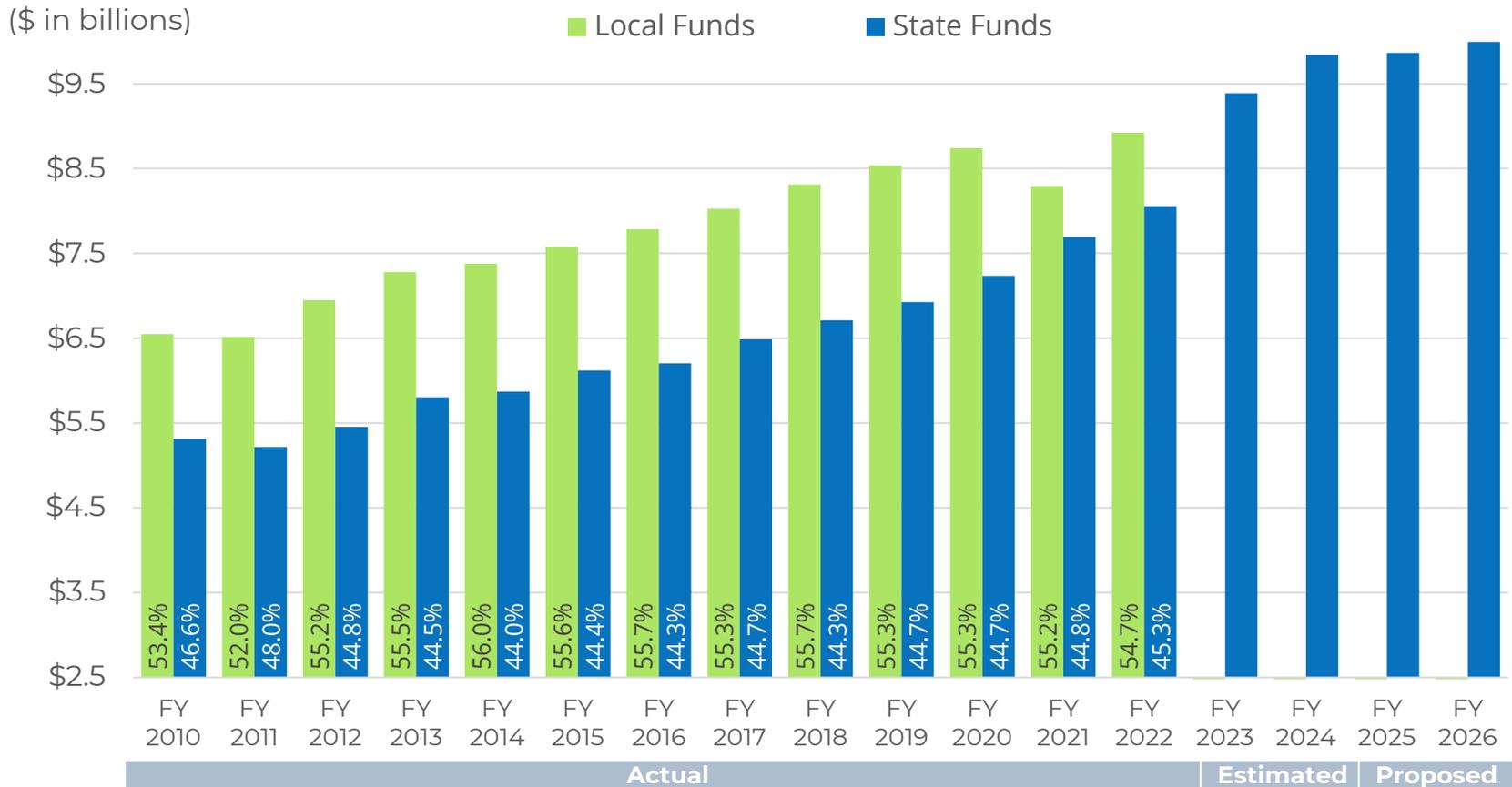
State & Local Shares: Local Composite Index (LCI)

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

STATE & LOCAL FUNDING

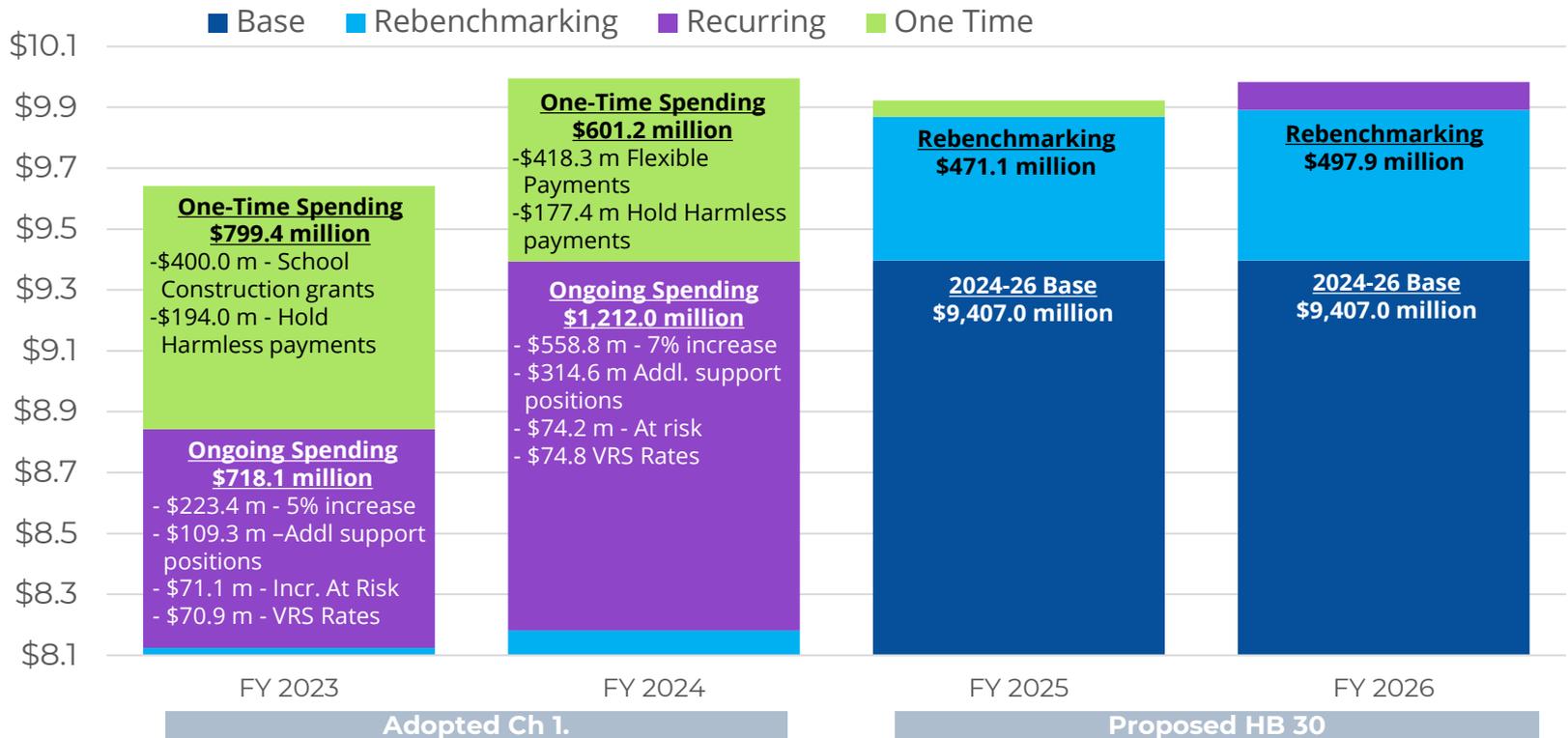


Source: FY 2009-FY 2022: Table 13, Superintendent's Annual Report; FY 2023-FY2026: Ch. 1, HB 29, and HB 30 Distribution Tables. Local data not yet available after FY 2022.

RECENT AND PROPOSED STATE INVESTMENTS

Additional K-12 Spending Since FY 2023

(\$ in billions)

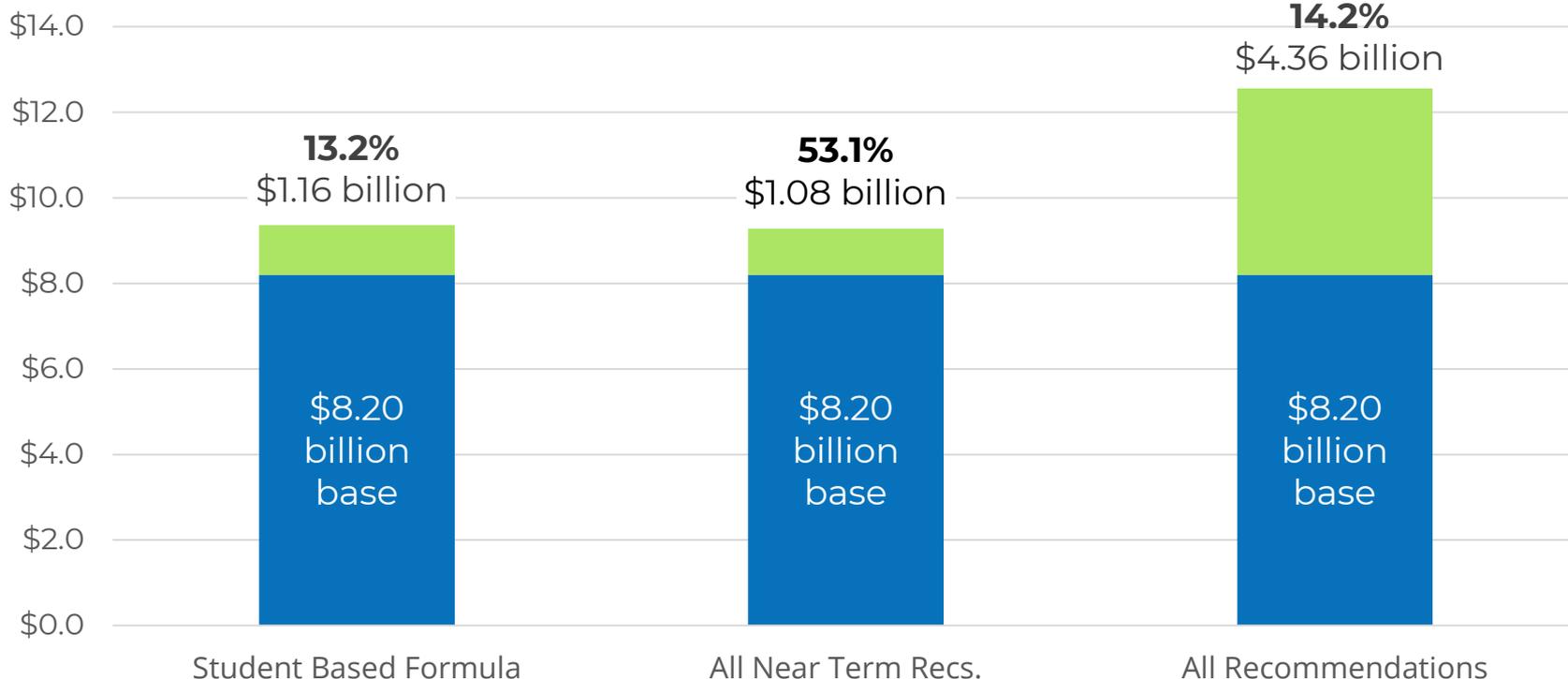


Source: FY 2022-FY2026 Distribution Tables

SCALE OF JLARC RECOMMENDATIONS

Compared to FY 2023 Ch. 2 SOQ Distributions

(\$ in billions)



Source: JLARC's "Virginia's K-12 Funding Formula"