



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

January 14, 2026

ELEMENTARY AND SECONDARY EDUCATION 101

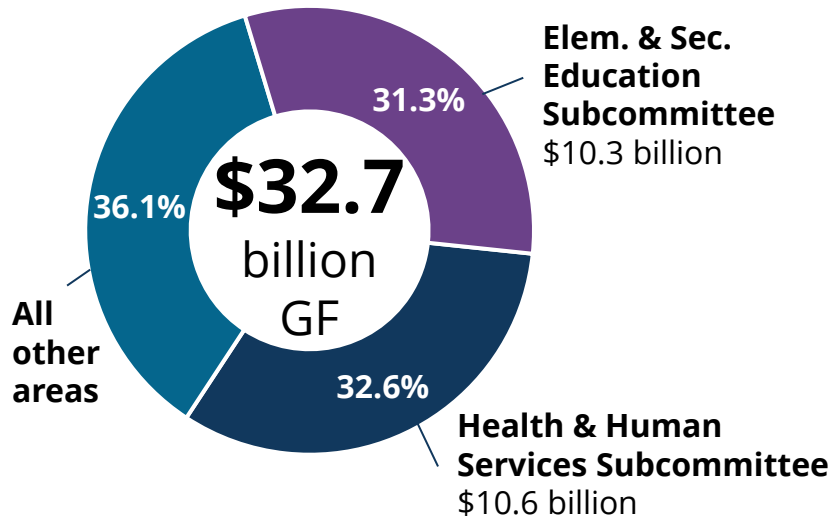
PREPARED BY

House Appropriations Committee Staff

SUBCOMMITTEE OVERVIEW

The Elementary & Secondary Education Subcommittee oversaw about 31.5% of all General Funds appropriated in FY 2026

Along with the Health and Human Services subcommittee, these two areas encompass about 2/3 of the General Fund budget



The subcommittee is responsible for these agencies:

Agency/Area (\$ in millions)	FY 2026 GF	FY 2026 NGF
Direct Aid: K-12	\$9,667.8	\$2,668.3
Direct Aid: Early Childhood	461.7	131.5
Department of Education	111.4	210.1
Virginia School for Deaf & Blind	15.2	1.3
Secretary of Education	0.8	0.0
Total	\$10,250.9	\$3,009.8

Ch. 725, FY 2026



KEY THINGS TO KNOW ABOUT K-12 FUNDING IN VIRGINIA

WHO PAYS FOR K-12?

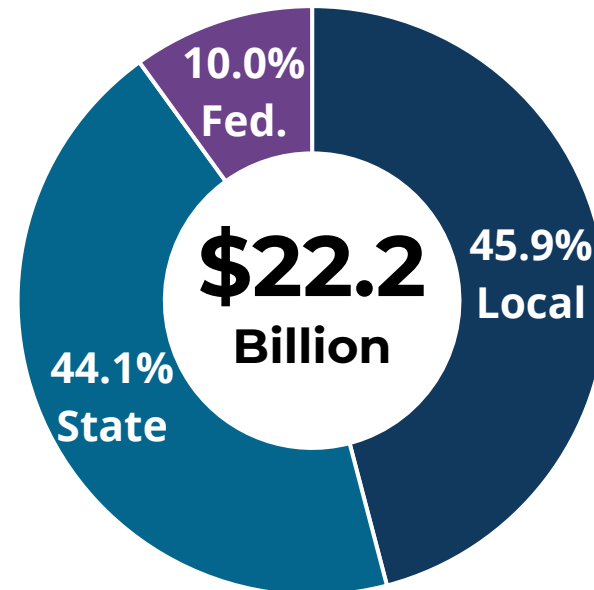
Funding responsibility is shared between the state and localities

- Constitutionally-mandated to share cost of funding the **Standards of Quality**
- Wide variation in ability to pay among localities

Federal government provides additional support

- Major areas of support include Title I, Special Education, School Nutrition

Sources of Funding for Virginia's K-12 System in FY 2024



WHAT ARE THE STANDARDS OF QUALITY?

The Standards of Quality (SOQs) are the **minimum foundational expectations** for Virginia's public schools

- Constitutionally required to be developed, set out in *Code of Virginia* § 22.1-253.13:1 et seq.; amended periodically
- SOQs establish academic programming (Standard 1), assessment and accreditation systems (Standard 3), graduation requirements (Standard 4) and other requirements (Standards 5-8)
- SOQ Standard 2 establishes **minimum staffing standards** and **maximum class sizes** that form the basis for **SOQ funding**

STANDARDS OF QUALITY FUNDING: TOTAL COST

Includes both the state and local shares of:

Salaries and Benefits for SOQ required positions

- Based on:
 - SOQ Staffing Standards
 - Projected Average Daily Membership (ADM)
 - Prevailing salaries and benefit costs
- Cost of Competing Adjustment (COCA) applied to recognize higher costs in Northern Virginia's labor market

Ancillary Support Costs

- Based on:
 - Typical per-pupil costs for utilities, supplies, transportation, etc.
 - Projected ADM

STANDARDS OF QUALITY FUNDING: LOCAL COMPOSITE INDEX

The **Local Composite Index of Ability-To-Pay (LCI)** is a measure comparing of each locality's tax base among all Virginia localities

- Determines each locality's share of SOQ funding
- Based on number of students and per-capita taxable real estate values, taxable retail sales, and total personal income
- Formula ensures at the statewide level: 55% state share and 45% local share



Higher LCI Divisions

- Greater local share
- Lower state share

The LCI is capped at .8000, to ensure no locality's share exceeds 80% of SOQ costs and the state's share is at least 20%

9 school divisions have a .8000 LCI in 2026-28



Lower LCI Divisions

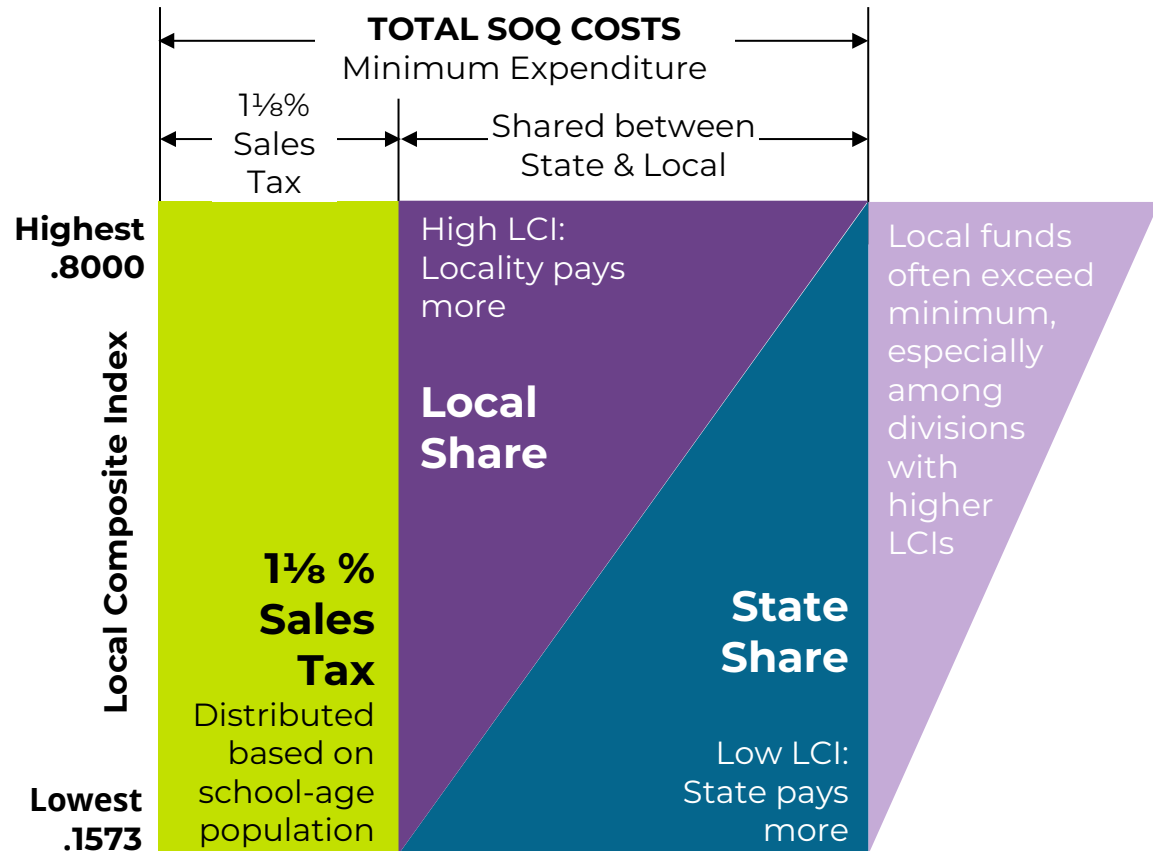
- Lower local share
- Greater state share

The lowest LCI in 2026-28 is .1573 (Radford)

The local share is 15.73%, and the state's share is 84.27%

STANDARDS OF QUALITY FUNDING: STATE AND LOCAL SHARES

- In addition, **1 1/8%** **dedicated sales tax** is distributed to each school division, based on estimated school-age population
- Sales tax is applied to the total SOQ cost, and remaining SOQ cost is split between state and localities based on the LCI



NON-SOQ FUNDING

- Over time, the General Assembly has added funding programs beyond the minimum SOQ
- Most are optional for localities to participate and require a LCI-based local match
 - Most localities take advantage of all of these funds, with some exceptions
- Examples:
 - Salary Increase Incentives
 - K-3 Class Size Reduction
 - Governors Schools
 - Infrastructure and Operations Lottery Per-Pupil
 - School Construction Assistance Grants

REBENCHMARKING

- Is the process of recalculating the total cost of the SOQ and other programs
- During rebenchmarking, many data points are updated, including:
 - Prevailing salaries and benefit costs
 - Prevailing ancillary costs
 - Average Daily Membership projections
 - Local Composite Index
 - Sales tax, lottery, and casino gaming revenue estimates

DEDICATED K-12 FUNDING SOURCES

In addition to General Funds, several Non-General funds support the K-12 system:

Lottery Proceeds Fund

~\$900 million/year

Constitutionally-established fund consisting of net revenue from state lottery

Balances must be distributed to localities for public education

A portion of these funds are distributed as flexible per-pupil funds that may be used for infrastructure or operational need

Literary Fund

~\$250 million/year

Constitutionally-established fund receives all unclaimed property and lottery winnings, fines, fees, etc

Minimum balance of \$80 million

Excess funds may be used for public school purposes, traditionally to offset teacher retirement costs, school construction loans and grants

School Construction Fund

~\$135 million/year

Receives a portion of casino gaming revenues

Appropriated for School Construction Assistance Grants which provide 10-30% competitive grants toward school construction projects

DIRECT AID TO PUBLIC EDUCATION

FY 2026 DIRECT AID APPROPRIATIONS TOTAL \$10.8 BILLION

- About 86% of K-12 appropriations are SOQ-related
- Beyond the SOQ are several \$100+ million programs

\$ in millions

SOQ				Non SOQ		
Basic Aid \$4,693.0	Sales Tax \$1,821.5	At Risk \$871.2	Fringe Benefits \$798.6	Compensation Supplement \$376.3		
				Infra & Ops \$276.4	Grocery Tax Hold Harmless \$273.6	
		Special Education \$580.1	ELLs \$228.5	Other SOQ \$280.9	Other \$168.2	K-3 Class Size \$163.1
				Special Ed \$155.2	Construction \$110.0	

Ch. 725, FY 2026

SOQ FUNDING

Program	FY 26	(\$ in millions)
Basic Aid	\$4,693.0	<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	1,821.5	<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
At-Risk Add-On	871.2	<ul style="list-style-type: none"> Funds state share of an add-on to basic aid based on concentration of lower income and English learner students
Fringe Benefits	798.6	<ul style="list-style-type: none"> State share of social security, VRS, and group life insurance costs for SOQ funded positions
Special Education	580.1	<ul style="list-style-type: none"> State share of special education positions based on Board of Education staffing regulations
English Learners	228.5	<ul style="list-style-type: none"> State share of English Learner teachers, at one per 20 EL students
Other SOQ Programs	280.9	<ul style="list-style-type: none"> State share of prevailing textbook, CTE, and gifted education costs

MAJOR NON-SOQ FUNDING

Program	FY 26	(\$ in millions)
Compensation Supplement	\$376.3	<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
School Construction Assistance	110.0	
K-3 Class Size Reduction	163.1	<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	155.2	<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

SIGNIFICANT K-12 INVESTMENTS OVER LAST TWO BIENNIA

About \$2.75 billion in major funding actions have occurred since the 2022 session

Action	\$ in millions	
Salary Increases	\$1,328.4	5% in FY 2023; 7% in FY 2024; 3% in FY 2025; 3% in FY 2026
Support Positions	\$646.8	Several actions increased ratio to prevailing rate
At-Risk Add-On	\$516.6	Several actions increased add-on using modernized data
English Learners	\$72.1	2024 action targeted staffing to students most in need of support
Reading Specialists	\$61.2	2022 action provided middle school specialists
Special Education	\$52.8	2025 action established supplemental add-on

EARLY CHILDHOOD

EARLY CHILDHOOD CARE & EDUCATION

Publicly-funded preschool programs serve more than 88,000 children

Program	Va. Preschool Initiative	Mixed Delivery Preschool	Child Care Subsidy Program (Birth-5)	Child Care Subsidy Program (school-age)	Head Start & Early Head Start
State Funds	\$156.3 million GF	\$38.8 million GF	\$228.2 million	\$65.2 million	none
Other Funds	\$87.4 million (local funds)	\$0	\$102.3 million (federal)	\$29.2 million (federal)	\$169.4 million (federal)
Total Funds	\$243.8 million	\$27.6 million	\$330.5 million	\$94.4 million	\$169.4 million
Children Served	24,487 (age 3 and 4)	2,630 (Birth-5)	32,179 (Birth-5)	15,497 (school age)	13,691 (Birth-5)
Est. Cost per Child	\$9,968 (\$6,385 state)	\$14,767	\$10,271	\$6,089	\$12,377
Copayment	none	\$0-375 per month (up to 5% of family income)			none
Dosage	990 hours per year	~2,600 hrs/year full-day, full-year		Afterschool and summers	1,020 to 1,380 hours per year
Eligibility	Under 200% FPL or child/family at risk		Household income of up to 85% State Median Income		Household income up to 130% FPL
Work Requirement	none	Parents must be working, in job training/school or seeking work (time-limited)			none



ISSUES FOR THE 2026 SESSION

2026-2028 REBENCHMARKING

2026-28 Impact **\$449.7 million**

\$1,223.8 million in additional costs

Driven by updated costs and updated student poverty data

\$774.0 million in savings

Generated from declining enrollment and lower retirement costs

K-12 Direct Aid Cost Updates for 2026-28 (GF \$ in millions)	2026-28 Impact
Students and Specialized Program Enrollment Enrollment declines 2.7% from Ch. 725 base to FY 2028	(\$111.7)
Prevailing Cost Data Updates costs for salaries, fringe benefits, ancillary costs	\$530.8
Update Lottery Proceeds Forecast offsets GF	43.2
Update sales tax distribution distributed based on school age population	56.4
Update Local Composite Index	(68.9)
TOTAL K-12 COST UPDATE	\$449.7

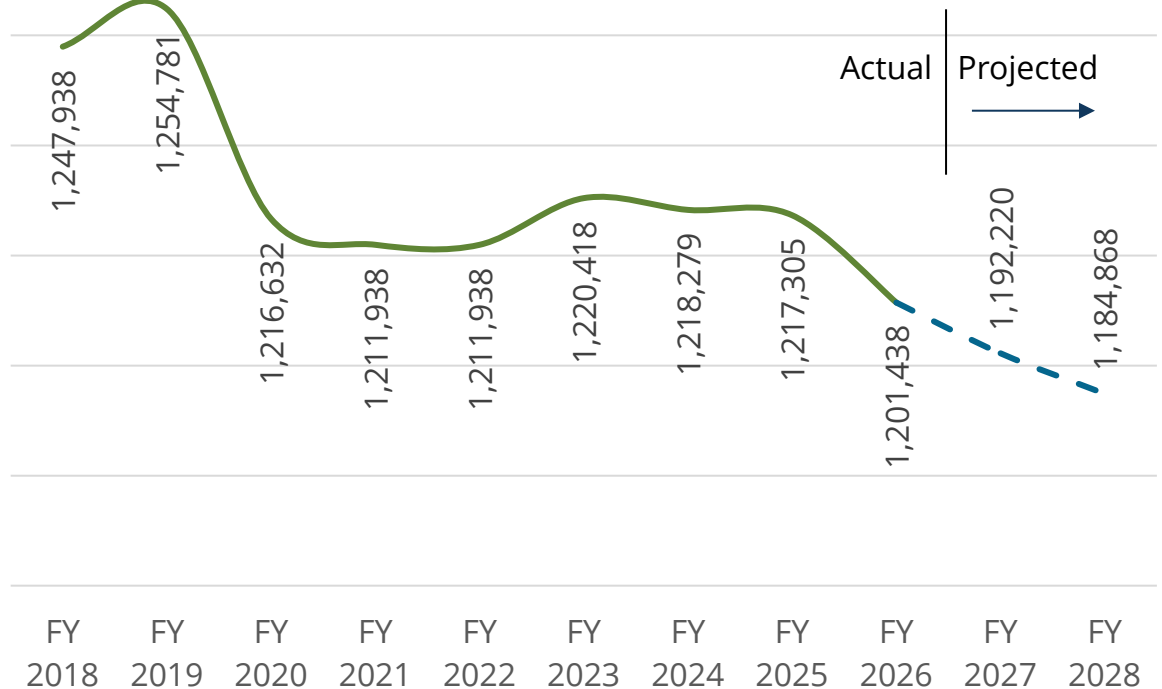
REBENCHMARKING: ENROLLMENT DECLINE

Enrollment projection updates lower costs by \$393.0 million

Enrollment decline anticipated to continue through end of decade

Fall enrollment counts confirmed arrival of anticipated decline in FY 2026

Fall Enrollment: Actual and Projected



REBENCHMARKING: PROJECTED ENROLLMENT CHANGES


Projected changes in ADM from Ch. 725 FY 2026 through FY 2028


Longer arrows = Larger percent change

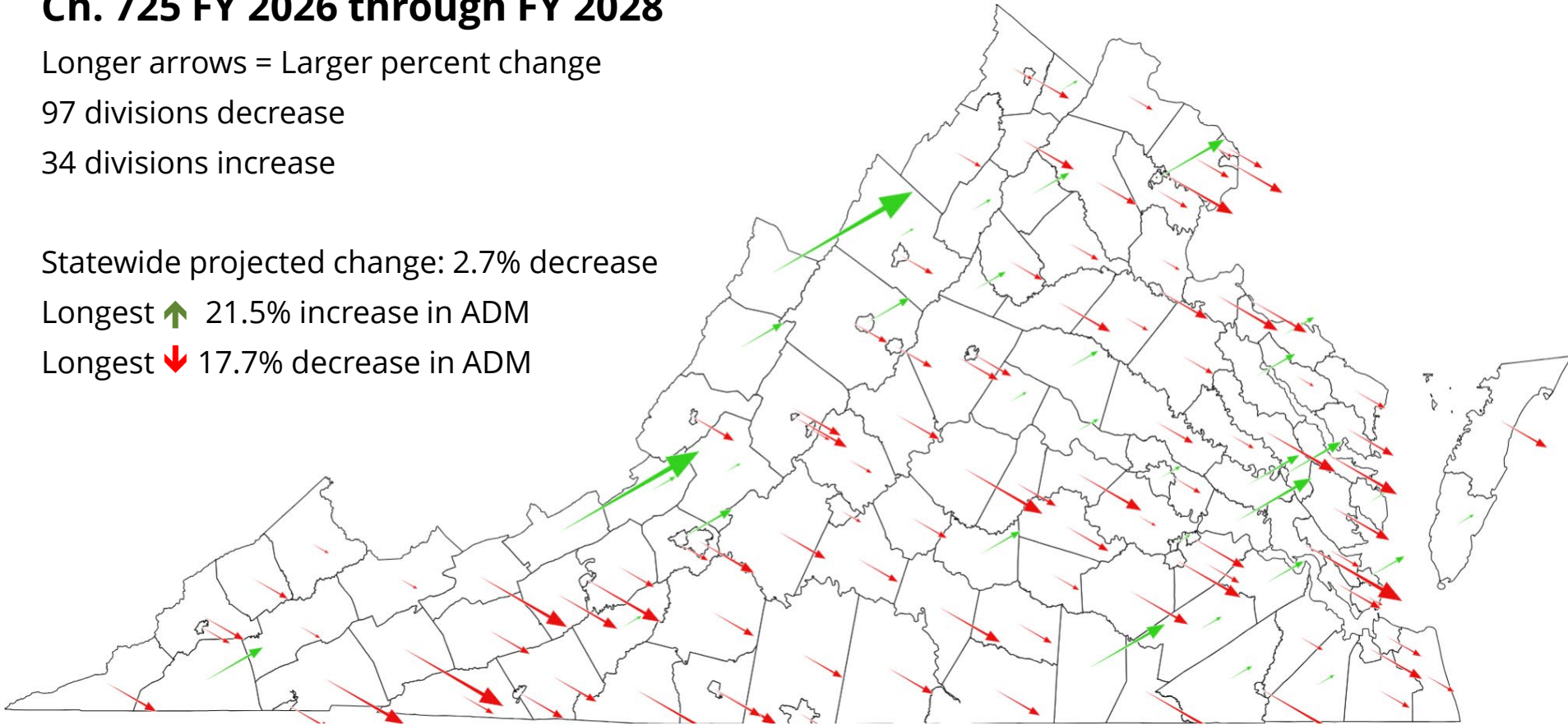
97 divisions decrease

34 divisions increase

Statewide projected change: 2.7% decrease

Longest  21.5% increase in ADM

Longest  17.7% decrease in ADM



REBENCHMARKING LCI CHANGES: 2024-26 TO 2026-28

LCI Changes from 2024-26 to 2026-28

Longer arrows = Larger change

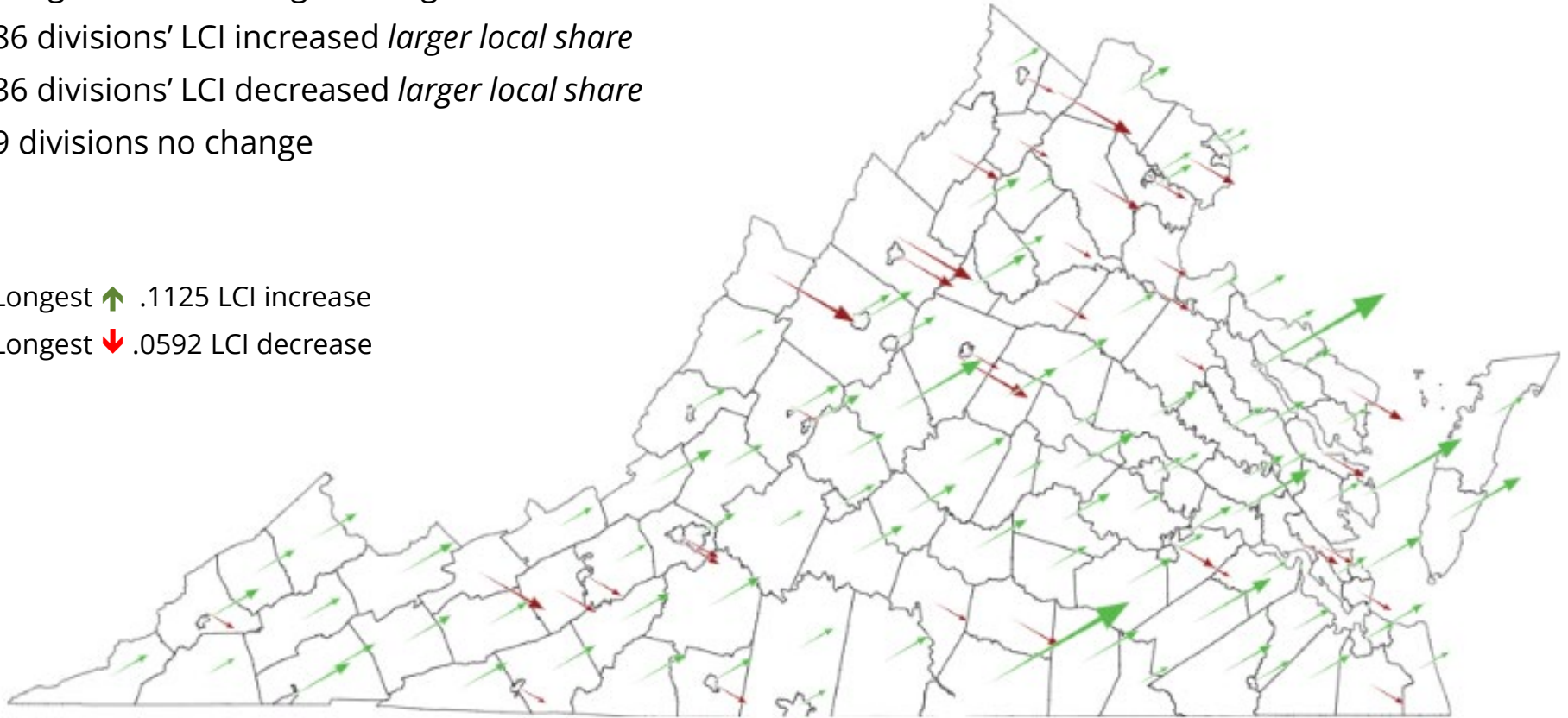
86 divisions' LCI increased *larger local share*

36 divisions' LCI decreased *larger local share*

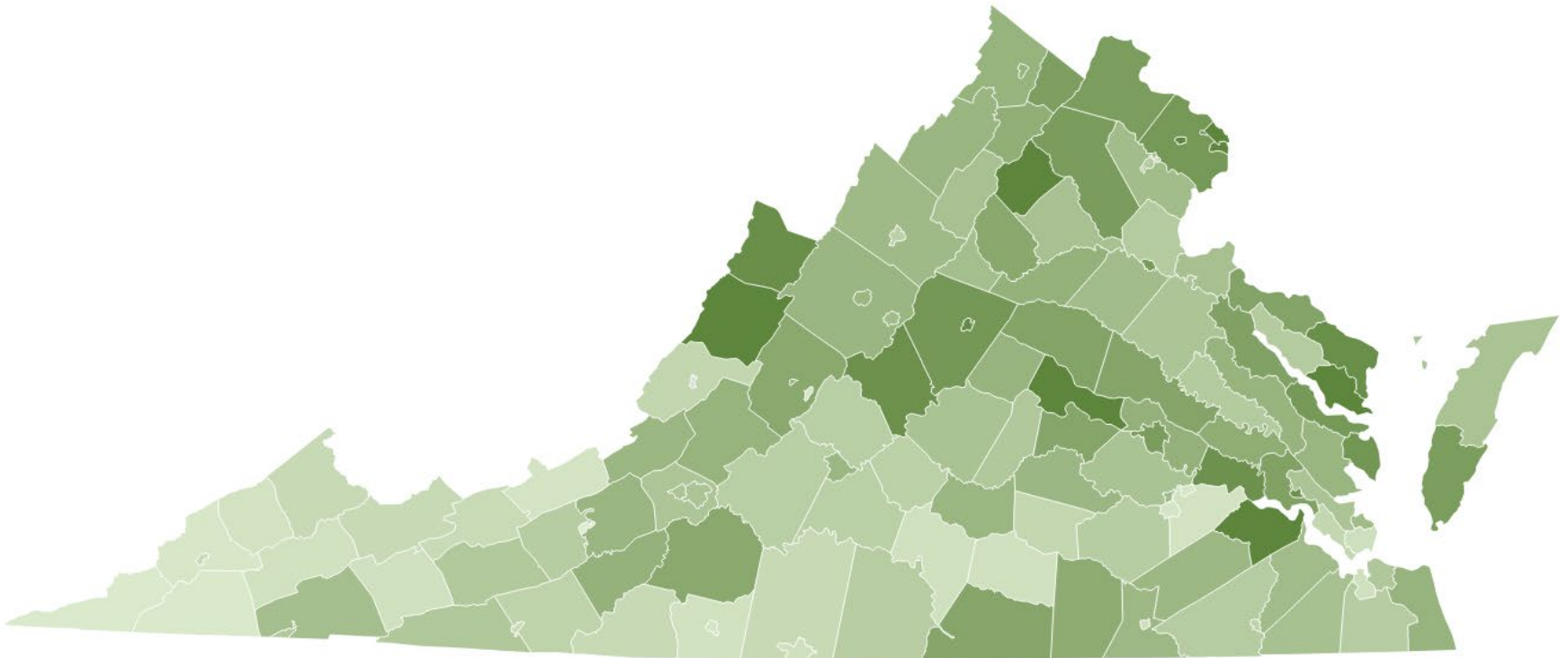
9 divisions no change

Longest ↑ .1125 LCI increase

Longest ↓ .0592 LCI decrease



REBENCHMARKED 2024-2026 LCI VALUES



Created with Datawrapper



POTENTIAL K-12 ISSUES FOR 2026

JLARC Report: *Virginia's K-12 Accountability System*

- December 2025 report included recommendations for changes to the newly implemented system
- Recommendations also suggest sustained attention and outside evaluation of the Department of Education's supports provided to schools not meeting benchmarks

Assessment System Contract

- Existing contract with current assessment system vendor has been extended and modified several times, increasing expenses, while the system becomes more outdated
- Last year, General Assembly directed VDOE to hire a state assessment expert to assist the agency with developing the request for proposal for a modernized assessment system
- Funds will be needed in FY 2028 to support new system and a six-month overlap period when two contracts will be active