

# K-12 Public Education

May 18, 2024

Virginia Association of Counties (VACo)

Supervisors' Forum

# Presentation Overview

- Introduction
- State Funding of Schools
- Local Funding of Schools
- Issues in Public Education
- Board of Supervisors and School Board Relations
- Discussion and Q+A

# State Funding of Schools





# Funding of Public Schools

- K-12 and Medicaid account for almost half of the state's general fund budget
  - For the 2022-2024 biennium K-12 was 30% of total General Fund Expenditure at \$8.5 billion.
  - Mandatory spending impacts funds available for other purposes.
- K-12 is the largest local government expenditure
  - In FY 2023, this was 54% of total local government expenditures at \$18.3 billion.
  - Mandatory spending impacts funds available for other purposes. [\[1\]](#)

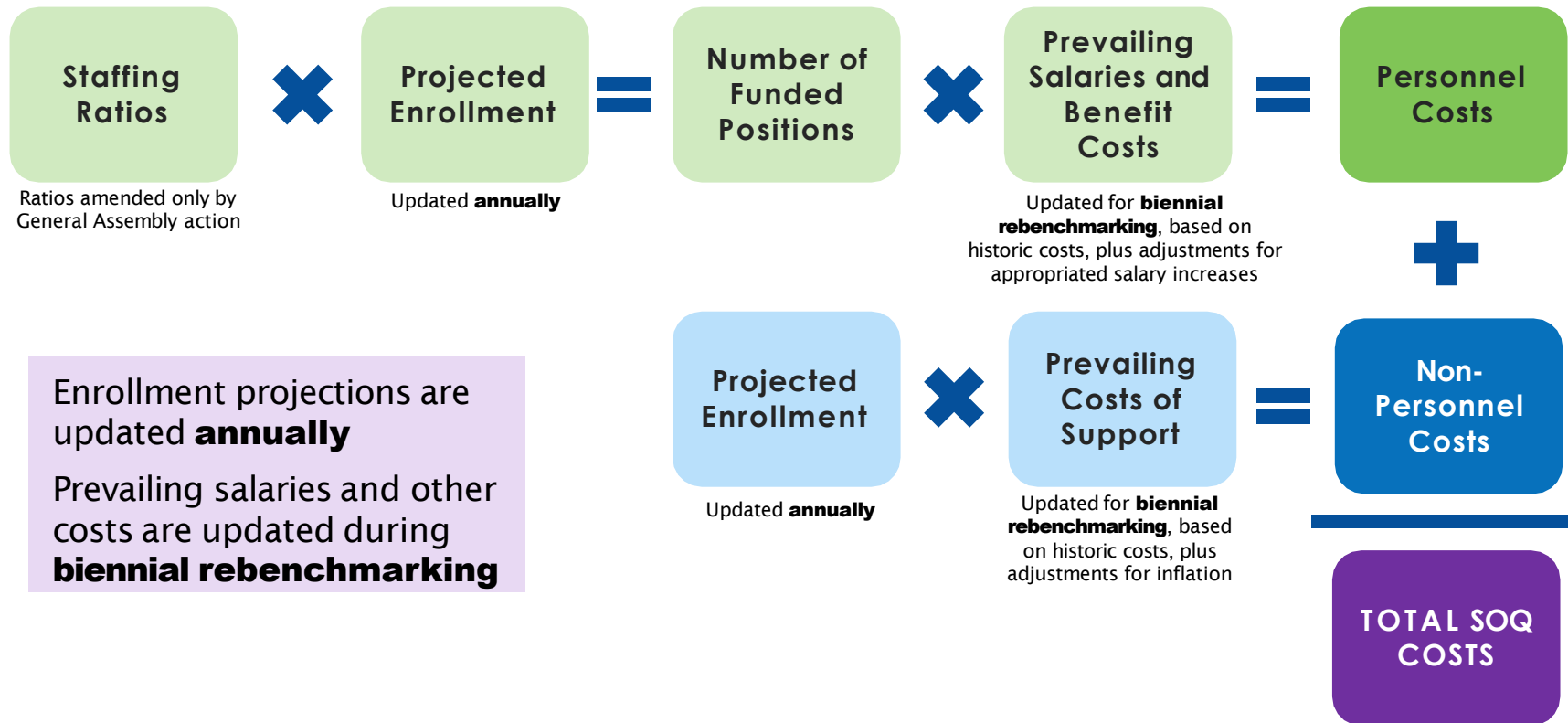


# Funding of Public Schools

- 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.
- Standard 2 of the SOQs, establishes staffing ratios and drives most SOQ costs. [2]
- Virginia is one of only nine states that use a staffing-based formula, and some academic experts now view it as an outdated approach. The vast majority of states (34) use a student-based funding formula that allocates divisions a specified amount of funding per student. Seven states use hybrids of the staffing- and student-based approaches or another approach.[3]

# ESTIMATING TOTAL SOQ COSTS

**Formula applies staffing ratios, prevailing personnel and support costs to enrollment projections to determine the total SOQ cost [4]**



# The Local Composite Index (LCI)

- The Local Composite Index of Ability-to-Pay (LCI) determines the state and local share of most K-12 funding streams
  - Compares each school division's wealth relative to all other school divisions
  - Recalculated every two years during rebenchmarking
  - Calculation considers property values, AGI, and taxable retail sales on a per-pupil and per-capita basis
  - LCI capped – No LCI is greater than .8000; ensures a minimum level of state support provided to every locality [5]



## COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA

### Average Daily Membership (ADM) Component =

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

### Population Component =

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

### Final Composite Index =

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

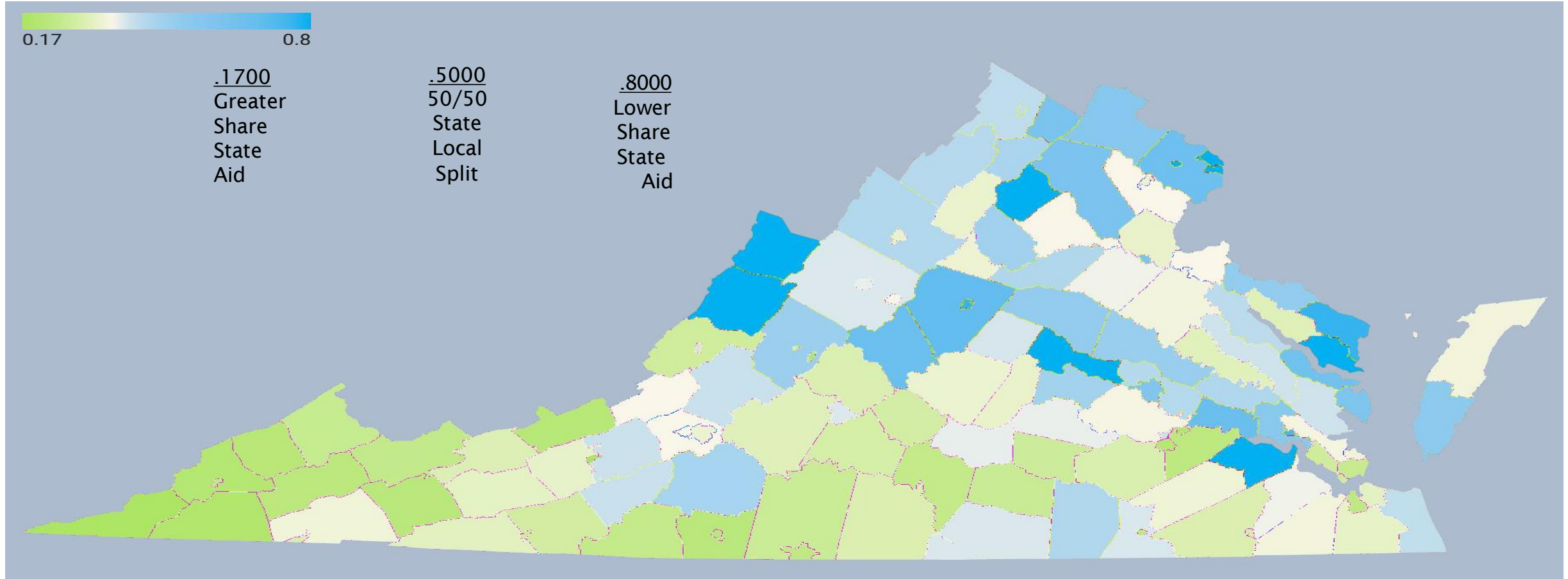
[6]



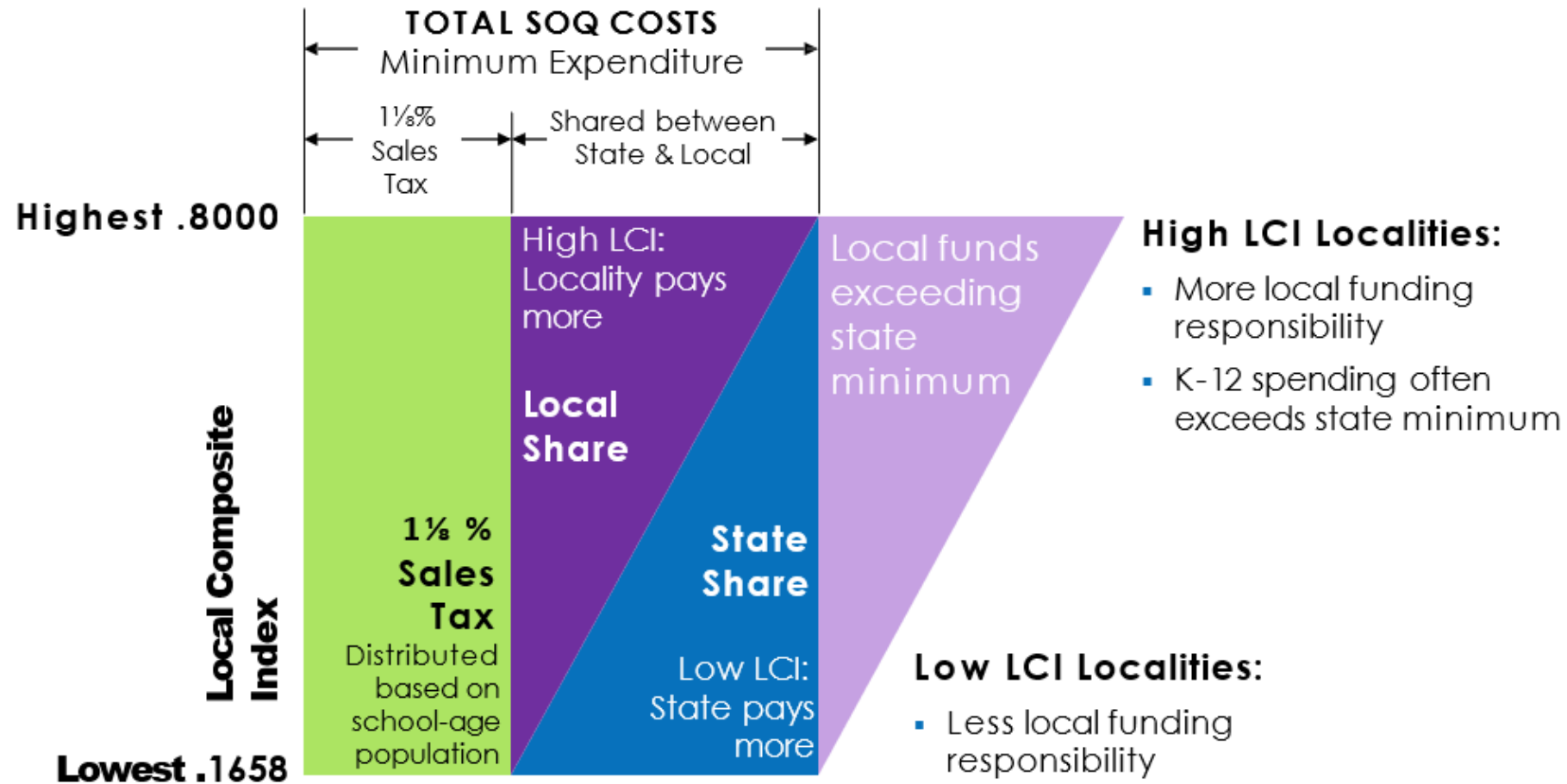
	Unadjusted LCI	Adjusted LCI	Change		Unadjusted LCI	Adjusted LCI	Change
ACCOMACK	0.3527	0.3413	-0.0114	SURRY	0.8000	0.8000	0.0000
ALLEGHANY	0.2932	0.2900	-0.0032	WASHINGTON	0.3506	0.3402	-0.0104
BATH	0.8000	0.8000	0.0000	BRISTOL	0.3431	0.3058	-0.0373
BLAND	0.3561	0.3531	-0.0030	CHARLOTTESVILLE	0.7013	0.6952	-0.0061
BRUNSWICK	0.4349	0.4314	-0.0035	DANVILLE	0.2662	0.2524	-0.0138
CARROLL	0.2720	0.2696	-0.0024	FALLS CHURCH	0.8000	0.8000	0.0000
CHARLOTTE	0.2593	0.2551	-0.0042	FREDERICKSBURG	0.5882	0.5808	-0.0074
GRAYSON	0.3582	0.3526	-0.0056	GALAX	0.2664	0.2619	-0.0045
GREENSVILLE	0.4236	0.4067	-0.0169	MARTINSVILLE	0.2306	0.2223	-0.0083
HALIFAX	0.3076	0.3038	-0.0038	NORFOLK	0.3114	0.3064	-0.0050
HENRY	0.2211	0.2179	-0.0032	NORTON	0.2697	0.2655	-0.0042
LEE	0.1748	0.1714	-0.0034	PORTSMOUTH	0.2448	0.2413	-0.0035
MECKLENBURG	0.4114	0.4050	-0.0064	RICHMOND CITY	0.5203	0.5139	-0.0064
PATRICK	0.2534	0.2511	-0.0023	WILLIAMSBURG	0.7305	0.7217	-0.0088
PRINCE GEORGE	0.2467	0.2404	-0.0063	FAIRFAX CITY	0.8000	0.8000	0.0000
RICHMOND COUNTY	0.3411	0.3050	-0.0361	FRANKLIN CITY	0.2934	0.2858	-0.0076
SCOTT	0.1959	0.1893	-0.0066	CHESAPEAKE	0.3440	0.3403	-0.0037
SOUTHAMPTON	0.2993	0.2965	-0.0028	EMPORIA	0.2474	0.2388	-0.0086

- 36 localities have a special 2022-24 biennium adjustment due to non-resident income more than 3% of VAGI. [7]

# 2024-2026 LOCAL COMPOSITE INDEX



# Sharing SOQ Costs



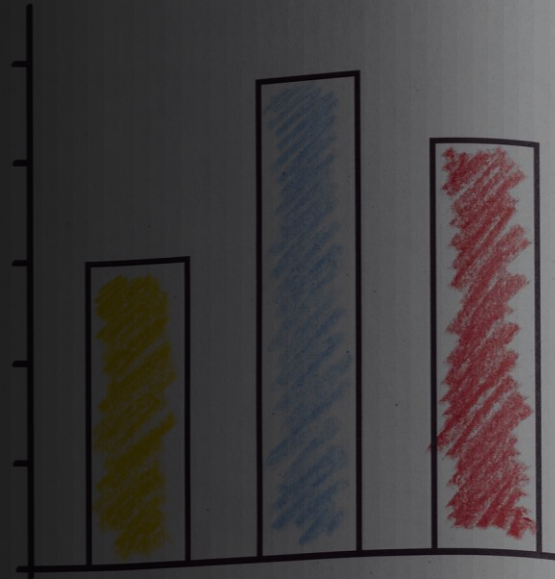
# Rebenchmarking

Virginia benchmarks educational costs to adjust for changes in cost every two years prior to a new biennium budget. This update determines statewide prevailing salaries for instructional and support staff, prevailing non-personnel support costs, and other factors. These benchmark changes subsequently affect SOQ, lottery, incentive, and categorical funding by determining the statewide prevailing salaries for instructional and support staff, prevailing non-personnel support costs, and other factors that determine funding amounts in different programs and streams.

Benchmarking builds off the preceding years' education budget and adjusts for changes in overall and specialized categories of student enrollment, free lunch eligibility rates, district performance on state standards, staffing standards, salary adjustments, fringe benefit costs and rates, support costs, inflation, sales tax revenues for education, and the composite index of local ability to pay.



# Local Funding of Schools



## The Local School Budget Process

The Virginia Constitution requires that each county, city, and town constituting a school division provide its share of school funds from local revenue sources sufficient to comply with the state Standards of Quality (SOQs). [\[10\]](#) This is also known as the required local effort (RLE).

Each locality's share is determined by the basic aid formula and local composite index (LCI). [\[11\]](#)

The school board must prepare, approve, and submit its proposed budget by April 1, or at least three months prior to beginning of the fiscal year. [\[12\]](#)

The Board of Supervisors is under no obligation to accept the school budget estimate submitted, except that they must fund the minimum amount required to comply with the SOQs. The Board may require the superintendent, the chairman, or other School Board members to appear before the governing body to answer questions about the budget. [\[13\]](#)

The Board of Supervisors must approve a school budget by May 15<sup>th</sup> or within 30 days of receipt of estimate of state funds to be received by school divisions. [\[14\]](#)

# The Local School Budget Process (cont.)



While the Board of Supervisors may reduce or increase the estimate submitted by the School Board, and may make appropriations or impose a levy for school purposes, the Board of Supervisors cannot make changes in individual line items of the school budget.



The Board of Supervisors may however make changes in the total dollar amount or in major category totals (as long it is not below the state SOQ required local effort).  
[\[15\]](#)



# Funding in Total Or By Classification Category

- Funding in Total - one package covering all school division operations, capital outlay, and debt service
  - Some counties fund capital outlay and debt service through the county budget and not the school board budget
- Funding by Major Classification Category:
  - (i) instruction, (ii) administration, attendance and health, (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other noninstructional operations, (vi) facilities, (vii) debt and fund transfers, (viii) technology, and (ix) contingency reserves. [16]
  - ANNUAL SCHOOL REPORT FINANCIAL SECTION (ASRFIN):  
<https://www.doe.virginia.gov/home/showpublisheddocument/8696/638025876799400000>
  - The ASRFIN data collection is used to provide financial information on K-12 programs in Virginia to the Governor, General Assembly, the federal government, other policymakers, and the public. The data is also used in developing the Direct Aid to Public Education budget and reporting the percentage of division operational expenditures for instruction and school-level per-pupil expenditures on the School Quality Profiles.

# Classification Categories

## 6100 Instruction:

- Instruction includes the activities that deal directly with the interaction between teachers, aides, or classroom assistants and students. Instruction may be provided for students in a school classroom, in another location such as a home or hospital, or in other learning situations such as those involving co-curricular activities. Instruction may also be provided through another approved medium such as television, internet, radio, telephone, or correspondence. The activities of aides or classroom assistants of any type (clerks, graders, etc.) that assist in the instructional process are included in this category.

## 6200 Administration, Attendance, and Health:

- Activities concerned with School Board Services, Executive Administration Services, Information Services, Personnel Services (recruitment and placement, transfers, training, etc.), Activities whose primary purpose is the promotion and improvement of children's attendance at school, Activities associated with physical and mental health services that are not related to direct instruction, including, activities that provide students with appropriate medical, dental, and nursing services, etc.

## 6300 Pupil Transportation:

- Activities concerned with transporting students to and from school, as provided by state and federal law. This includes trips between home and school, and trips to and from school activities. Vehicle Operations, Vehicle Maintenance, School Bus purchases, etc.

## 6400 Operation and Maintenance:

- Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition. This includes the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

# Classification Categories (cont.)

## 6500 School Food Services and Other Non-instructional Operations:

- Activities concerned with providing non-instructional services to students, staff, or the community such as meals, lunches, and snacks, community services such as community swimming pools, childcare centers, recreation programs for the elderly, etc.

## 6600 Facilities

- Activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, installing or extending service systems and other built-in equipment, and improving sites.

## 6700 Debt Service and Fund Transfers:

- A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another. Includes only those funds appropriated to and paid by the school board.

## 6800 Technology:

- This captures technology-related expenditures. Any services (i.e., distance learning) involving the use of technology for instructional, public information, administration, or any other use.

## 6900 Contingency Reserves:

- All contingency reserve expenditures should be reported under this function using the sub-functions for the eight other categories. These are allocations of the budget that is specifically reserved for category unknowns. This contingency reserve is allocated following the identification of project risks and uncertain events.

# Choosing to Fund in Total or by Category

- **March 2021 – VACo surveyed member counties as to whether they funded their school system via a total sum or by category**
  - Approximately 52% of members responded
  - 56% appropriated by total amount, 44% appropriated by category
  - Several counties noted that they were considering moving from appropriation by total amount to appropriation by category
- **What are the potential determining factors of this decision?**
  - State of relations between the Board of Supervisors and the School Board
  - Availability of and willingness to dedicate staff resources at the county level to provide additional oversight of the school division
- **Potential Pros and Cons of Funding by Total Sum**
  - Pro: Provides the school division with a lump amount of funding and leaves the details of how to spend that amount to the school board
  - Pro: Reduced staff burden on county employees to review the different categorical expenditures and needs of the school division
  - Con: The Board of Supervisors has reduced control over how the school division allocates appropriated funds
- **Potential Pros and Cons of Funding by Category**
  - Pro: Allows the Board of Supervisors to exert more control of school division expenditures and prevent the school board from allocating resources away from certain categories that the County deems to be priorities
  - Con: Requires greater county staff involvement and oversight of school budget process
  - Con: May contribute to degradation of Board of Supervisor / School Board relations

# School Capital Financing Options in Virginia

- Local school divisions have the responsibility for controlling, erecting, furnishing, equipping and maintaining necessary school buildings.
- School divisions in Virginia do not have taxing power or the ability to issue debt.
- Financing approaches available for school capital projects:
  - Cash
  - Bank Loans
  - Bonds
    - General Obligation Bonds
    - Subject to Appropriation Bonds
    - Virginia Public School Authority
    - Literary Fund
    - USDA, Historic Tax Credits, P3s
- School Construction Assistance Program
- 1% Local Sales and Use Tax (nine localities)
- Cost, funding availability and timing considerations will influence the approach taken. [[17](#)]



# Issues in Public Education



# Pressing Issues in Public Education



JLARC Report



HB 805 / SB 14 School Construction Financing Legislation (1%)



SB 1124 Workgroup



# JLARC Report

- Virginia school divisions receive less K–12 funding per student than the 50-state average, the regional average, and three of Virginia’s five bordering states (MD, WV, KY).
- School divisions in other states receive 14 percent more per student than school divisions in Virginia, on average, after normalizing for differences in cost of labor among states. This equates to about \$1,900 more per student than Virginia.
- The SOQ formula calculated school divisions needed a total of \$10.7 billion in state and local funding for FY21, but divisions actually spent \$17.3 billion on K–12 operations, \$6.6 billion more than the funding formula indicated was needed. Funding differences for the preceding years were about the same.
- The vast majority of the additional funding for school divisions comes from local governments.
- In FY21, the SOQ formula calculated that divisions needed 113,500 FTE staff to perform the various instructional, student support, and administrative functions of the K–12 system. However, divisions actually employed 171,400 staff (51 percent) to perform these responsibilities. [\[18\]](#)

# JLARC Report (cont).

- The SOQ formula not only underestimates the number of K–12 staff needed, but also school divisions' compensation costs.
- The difference between SOQ-calculated compensation costs and actual compensation costs for SOQ-recognized staff (excluding health care) has been about \$1.3 billion annually.
- Formula still uses Great Recession-era cost reduction measures.
- Formula does not adequately account for local labor costs.
- Formula does not adequately account for small divisions' inability to gain economies of scale. [[19](#)]

# School Construction Financing Legislation

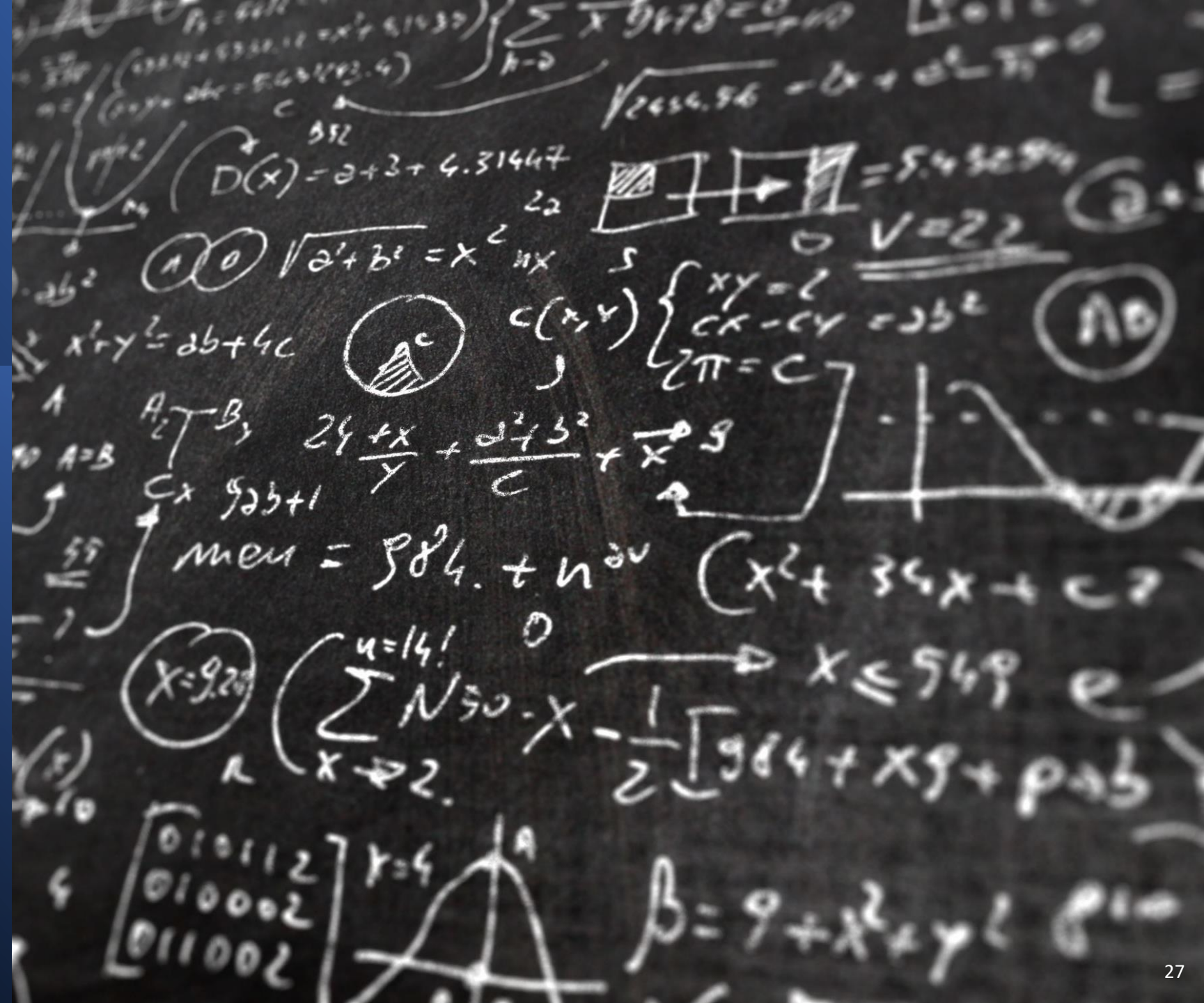
- [HB 805 \(Rasoul\)](#) and [SB 14 \(McPike\)](#), which passed the House and Senate with broad bipartisan support and at least two-thirds of each chamber voting in favor of the bills ([71-26](#) and [27-13](#), respectively). Vetoed by the Governor. Override vote failed by two votes.
- These bills would permit any county or city to impose an additional local sales and use tax of up to 1 percent, if initiated by a resolution of the local governing body and approved by voters at a local referendum. The revenues of such a local tax would be used solely for capital projects for the construction or renovation of schools. Localities that choose to exercise this authority, if approved by voter referendum, may use the revenues from such authority for school capital debt payments. [[20](#)]

# SB 1124 Workgroup

- Make recommendations to VBOE regarding potential Standards of Quality centered on school construction. The stakeholder workgroup established to inform development of the standards recommendations was guided by several principles, including:
  - School facilities standards should promote cost effective, healthy, safe, and secure learning environments that support high quality instructional delivery and student services;
  - Prioritize the most important elements as statewide standards; • Are actionable by school divisions, not cost prohibitive, and consider local cost impact;
  - Balance mandatory and “best practice” aspirational/optional standards; • Are phased-in over time or have delayed effective dates when deemed necessary; and,
  - Consider the existing VDOE school facilities guidelines as a baseline standard to help operationalize any new standards that may be adopted.
- VBOE to accept on final review at June Meeting. [\[21\]](#)



# Board of Supervisors and School Board Relations



# Board of Supervisors – School Board Relations



Issues of Contention



Best Practices



VACo/ VSBA Partnership

# What can go wrong?

- Finger Pointing
- The School Division and funding partners
- Personalities on boards and with staff
- Election/Appointment turnover
- Staff and Administration turnover – County, Schools



# Building Partnerships

- Agree to work together
- Agree to communicate openly and transparently
- Create and maintain a Liaison Committee
- CIP planning process – no surprises
- Joint Operating and CIP planning meetings
- Share communication – trigger point for capital projects
- Joint legislative advocacy



# Best Practices

- School Board Members meet with Supervisors Counterparts
- Regular visits to schools
- Regular attendance at school events
- Regular communication among staff, CFOs, County Administrator, Superintendent [[22](#)]

# VACo and VSBA Partnership



**Virginia Association of Counties**



**VSBA**

**Virginia School Boards Association**

# References

- K-12 Funding in Virginia, House Appropriations Committee Staff, Zack Robbins, March 20, 2024. [[1](#), [2](#), [4](#), [5](#), [8](#), [9](#)]
- Understanding the Local Composite Index, Fiscal Analytics, Ltd., November 12, 2023 [[6](#), [7](#)]
- Virginia’s K-12 Funding Formula, JLARC Report July 2023 <https://jlarc.virginia.gov/pdfs/reports/Rpt575-3.pdf> . [[3](#), [18](#), [19](#)]
- Article VIII, Constitution of Virginia. <https://law.lis.virginia.gov/constitutionexpand/article8/> [[10](#)]
- Local Composite Index of Ability to Pay. Virginia Department of Education <https://www.doe.virginia.gov/data-policy-funding/school-finance/budget-grants-management/composite-index-of-local-ability-to-pay> [[11](#)]
- § 22.1-92 Code of Virginia <https://law.lis.virginia.gov/vacode/title22.1/chapter8/section22.1-92/> [[12](#)]
- §§ 22.1-94 and 22.1-95 Code of Virginia <https://law.lis.virginia.gov/vacode/title22.1/chapter8/section22.1-94/> and <https://law.lis.virginia.gov/vacode/title22.1/chapter8/section22.1-95/> [[13](#), [15](#)]
- § 22.1-93 Code of Virginia <https://law.lis.virginia.gov/vacode/title22.1/chapter8/section22.1-93/> [[14](#)]
- § 22.1-115 Code of Virginia <https://law.lis.virginia.gov/vacode/title22.1/chapter8/section22.1-115/> [[16](#)]
- “Virginia Public School Authority; Providing financing for Virginia’s Schools for over 60 years” Presentation from James Mahone, VPSA Program Manager, March 22, 2023. [[17](#)]
- VACo Capitol Contact Action Alert, Jeremy R. Bennett, April 9, 2024. <https://www.vaco.org/capitol-contact-alert/capitol-contact-alert-governor-vetoes-school-construction-financing-bills/> [[20](#)]
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- Partnerships: The County Board of Supervisors and the Local School Board, Ruth Larson and Lisa Ownby, 2020 VACo Supervisor’s Forum [[22](#)]

# Questions?

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