Description of the Formula

The foundation formula is based on pupils in average daily membership (ADM) for the current year. Basic program funding is determined by multiplying total ADM by a per pupil amount generated by the foundation formula to determine funding for school divisions (state average $5,552 per pupil in ADM for FY 2009-10) and adjusted by the Composite Index of local ability to pay (see Measure of Local Ability to Support Schools). The division’s share of a 1% state sales and use tax is distributed to divisions on the basis of school-age population. Remaining cost is shared by the state and local division according to a Composite Index of local ability to pay. The required local effort as determined by the Composite Index factor may not exceed 80% of remaining program cost (Basic Aid); thus, ensuring 20% state funding for all divisions.

Since November 2004 an additional one-quarter percent state sales and use tax revenue has been allocated to school divisions through the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund. Half of this amount (one eighth of a percent) is distributed on school age population and allocated as part of Basic Aid. The remaining half (one-eighth of a percent) is appropriated to support specific SOQ Basic Aid program goals in the area of increasing elementary resource teachers, reducing class size in middle and high school, and increasing instructional technology positions.

Basic Aid, textbooks, gifted education, special education, vocational education, English as a second language, Remedial summer school, and Prevention, Intervention, and Remediation are funded as part of the Virginia Standards of Quality (SOQ) program. School personnel costs for fringe benefits such as retirement, social security and group life insurance are also funded under the SOQ. The SOQ programs require a local cash match for the purpose of meeting the school division’s required local effort. Remedial summer school is the only SOQ program that does not require a local match.

Additional funds are provided to school divisions based on Incentive programs, most which are distributed using the Composite Index, include clinical faculty, summer Governor’s school, Career Switcher mentoring grants, certain special education programs (if applicable), and technology through the Virginia Public School Authority. Categorical programs are also funded to include adult education and literacy, school nutrition, Virtual Virginia, American Indian Treaty Commitment and special education programs.
Profits from the State Lottery Proceeds Fund are provided to school divisions, and many are allocated based on the local Composite Index. These profits are used to fund foster care and at-risk students, Enrollment Loss, the Virginia Preschool Initiative, early reading intervention, the Mentor Teacher program, K-3 primary class size reduction, school breakfast, Standards of Learning algebra readiness, regional alternative and special education programs, Individual Student Alternative Education Plan, categorical career and technical education, Education for a Lifetime, Project Graduation, supplemental Basic Aid, and Academic Year Governor’s Schools.

**Division-Based Components**

**Density/Sparsity of Small Schools**
The Appropriation Act specifies that a minimum number of instructional positions will be maintained on a division-wide basis, regardless of the school division’s population. This includes a minimum of 51 professional instructional and aide positions, one gifted professional instructional position, and six occupational and special education professional instructional and aide positions per 1,000 students included in the ADM.

**Grade Level Differences**
Does not apply.

**Declining Enrollment or Growth (Enrollment Loss program)**
In 2009-10, the state provided an additional payment, equal to the state share per pupil of Basic Aid for each division. The number of students lost was weighted at a value (.85, .70, .45 or .30) in an inverse relationship to the fiscal capacity of the school division. The weighted number of students lost was then multiplied by the state share of Basic Aid per pupil for each division to equal the state’s share for declining enrollment.

**Capital Outlay and/or Debt Service**
- *Literary Fund Loans* are available from the state with a ceiling of $7.5 million per project and with interest rates determined by a school division’s Composite Index (fiscal equalization mechanism). Due to availability of funds, Literary Fund Loans have not been issued since January 2008.

- *Virginia Public School Authority (VPSA)* offers school divisions a credit rating and lower interest rates to secure loans that school divisions might not have otherwise been able to obtain. The VPSA also enables divisions to sell their bonds often without voter approval at a lower interest rate.

- *Lottery Funds* not designated for specific programs (listed above) are provided to school districts to support the state share of the lottery per adjusted pupil in average daily membership amount which is determined by the school district’s Composite Index of local ability to pay. However, there are restrictions on how these funds may be expended. No more than 50% of lottery funds can be used for recurring costs, i.e., current expenditures, and at least 50% must be spent on nonrecurring expenditures, including school construction, additions, infrastructure, site acquisition, renovations, technology, and other expenditures related to modernizing
classroom equipment, and debt service payments on school projects completed in the last ten years.

**Transportation**
State determines per pupil costs for regular, special arrangement, and exclusive schedule pupil transportation programs. Per pupil costs are based on a matrix through use of two variables: geographical density and division size, i.e., number of pupils, for each of the above programs. These costs are included in the Basic Aid account and are shared between state and local school divisions according to a school division’s Composite Index of local ability to pay. Also, the state contributes to the bus replacement costs based on a twelve-year replacement cycle.

**Student-Based Components**

**Special Education**
Funding for special education provides for the state share of salary costs of instructional positions generated based on staffing standards for special education. (The Virginia legislature identifies 14 categories of disability, each with a maximum allowable student to teacher ratio. The number of students in each division who fall into each of the 14 categories determines the number of teachers for which the state will share the funding costs.) Each special education student is counted in their respective school and up to three disabilities per student may be recognized for calculating instructional positions for funding. Once the number of funded teachers is determined, it is multiplied by the state-specified salary to determine the total salary cost, which is funded on a per pupil basis. The additional per pupil special education funds are shared between the state and local school divisions according to a school division’s Composite Index of local ability to pay.

**Compensatory Education**

*At-Risk Program*
State payments for at-risk students are disbursed to school divisions based on the estimated number of federal free lunch participants in each division to support programs for students who are educationally at-risk. Funding is provided as a percentage add-on to Basic Aid to support the additional costs of educating at-risk students. A local match based on the district’s Composite Index of local ability to pay is required.

See Other.

**English Language Learner/Bilingual Education**

*English as a Second Language (ESL)*
State SOQ funds are provided to support school divisions providing the necessary educational services to children not having English as their primary language. The funding supports the salary and benefits cost of instructional positions at a standard of 17 positions per 1,000 ESL students. This cost is shared between the state and local school divisions according to a division’s Composite Index of local ability to pay and contributes toward the required local effort.
**Gifted and Talented Education**
State provides additional payment through the Standards of Quality (SOQ) Program for Gifted Education to support the cost of one instructional position per 1,000 students in ADM. This cost is shared between the state and local school divisions according to a division’s Composite Index of local ability to pay. Because gifted and talented funding is an SOQ account, its local match contributes toward the division’s required local effort.

**Other**
Programs Offered Statewide:

*Prevention, Intervention & Remediation*
This SOQ program is designed to assist students who need additional instruction by providing one hour of additional instruction per day for identified students. Funding is calculated using the percent of students eligible for the federal Free Lunch program as a proxy for the number of eligible students. A pupil-teacher ratio is then applied to the pool of identified students using a range between 18:1 through 10:1, depending upon a school division’s combined failure rate on the English and Mathematics Standards of Learning tests. Higher combined failure rates are assigned lower pupil-teacher ratios. A local match based on the division’s Composite Index of local ability to pay is required and contributes toward the required local effort.

*Career and Technical Education (Vocational Education)*
State SOQ funds are used to support Career and Technical Education courses for students in grades 6-12. The funding supports the salary cost of instructional positions based on class size maximums established by the Board of Education. This cost is shared between the state and local school divisions according to a division’s Composite Index of local ability to pay. The local match qualifies toward the required local effort. A small amount of the funding for career and Technical Education is categorical and is expended for regional vocational schools.

*Remedial Summer School*
Remedial Summer School programs provide additional education opportunities for at-risk students. These SOQ funds are available to school divisions for the operation of programs designed to remEDIATE students who are required to attend such programs during a summer session. The state share of per pupil funding is provided to support a thirty day summer program. No local match is required.

**Incentive Programs:**

*School Breakfast*
This state reimbursement program provides up to a $0.20 per meal reimbursement to school divisions that increase the number of breakfasts served to students.

*Technology (Virginia Public School Authority)*
The state provides incentive funding through the Virginia Public School Authority of $26,000 per school and $50,000 per division. Localities are required to provide a match for the total equal to 20 percent of all grant amounts. At least 25 percent of the local match shall be used for teacher training in the use of this technology.
Categorical Programs:

Adult Education
State funds are provided to improve educational opportunities for adults and to encourage the establishment of adult education programs that will enable all adults to acquire basic educational skills necessary to function in a literate society. The program also enables adults to complete secondary school, obtain a GED, or to benefit from job training and retraining programs. Reimbursements to school division adult education programs are based on 60% of the fixed cost-per-class or fixed cost-per-student.

School Nutrition
This state reimbursement program is required by the federal National Nutrition School Lunch Program, the School Breakfast Program, and the After School Snack Program. State funds are required to meet maintenance of effort and match requirements for the federal funds received for the school lunch programs. The rate of reimbursement is determined by the number of reimbursable lunches served during the previous year.

Categorical Special Education Programs
Categorical funding is provided for three special education programs: Homebound, Jails, and State Operated Programs. 1) Homebound funding provides for the continuation of educational services for students who are temporarily confined to their homes for medical reasons. State funds reimburse school divisions for a portion of the hourly rate paid to teachers employed to provide homebound instruction to eligible children. 2) Local school divisions are reimbursed for the instructional costs of providing special education and related services to children with disabilities in regional or local jails. 3) Education services are continued for students placed in state-operated facilities and are provided through contracted services with local school divisions. Funded positions are based on caseloads. A funding amount per position (to cover both personal and non-personal costs) is applied to each position to determine the total amount of funding for each division that provides education services in state operated programs.

Lottery-Funded Programs:

Academic Year Governor’s Schools
These programs give gifted and talented high school students an opportunity to study with fellow students of similar interest and abilities from across the Commonwealth. The schools offer specialized curriculum offerings. State funds are provided to assist with the state share of the incremental costs of operations during the school year. These funds are not to be used for capital outlay, structural improvements, renovations, or fixed equipment costs. Funds may be used for the purchase of instructional equipment. Funding is provided on a per pupil basis.

Alternative Education
State funds for Alternative Education programs are provided for the purpose of educating certain expelled students and, as appropriate, students who received long-term suspensions from public schools, and students returned to the community from the Department of Youth and Family Services.
Early Reading Intervention
The Early Reading Intervention program is designed to reduce the number of students needing remedial reading services. Program funds are used by local school divisions for: special reading teachers; trained aides; volunteer tutors under the supervision of a certified teacher; computer-based reading tutorial programs; aides to instruct in class groups while the teacher provides direct instruction to the students who need extra assistance; or extended instructional time in the school day or year for these students. A local match based on the district’s Composite Index of local ability to pay is required.

Foster Care
Foster care funding provides reimbursement to localities for educating students in foster care that are not residents of their school district. State funds are provided for prior year local operations costs for each pupil not a resident of the school division providing his education if the student has been placed in foster care or other custodial care within the geographical boundaries of such school division by a Virginia agency, whether state or local, which is authorized under the laws of the Commonwealth to place children.

Individual Student Alternative Education Plan (ISAEP)
An Individual Student Alternative Education Plan (ISAEP) may be developed when a student demonstrates substantial need for an alternative program, meets enrollment criteria, and demonstrates an ability to benefit from the program. The need is determined by a student’s risk of dropping-out of school. Funding is based on submitted reimbursement requests, up to the approved allocation for the year.

K-3 Primary Class Size Reduction
The state provides incentive funding for K-3 class size reduction below the required pupil-teacher ratio. Payments are based on the incremental cost of providing the lower class sizes based on the lower of the statewide average per pupil cost of all divisions or the actual division per pupil cost. Schools with free lunch eligibility percentages of 16 percent and greater are eligible for funding. A local match based on the district’s Composite Index of local ability to pay is required.

Special Education – Regional Tuition
Regional tuition reimbursement funding provides for students with low-incidence disabilities who can be served more appropriately and less expensively in a regional program than in more restrictive settings. A joint or a single school division operates regional special education programs. All reimbursement is in lieu of the per pupil basic operation cost and other state aid otherwise available.

Standards of Learning (SOL) Algebra Readiness
Funding is based on the estimated number of 7th and 8th grade students who are at-risk of failing the Algebra I end-of-course. This number is approximated based on the free lunch eligibility percentage for the school division. A local match based on the district’s Composite Index of local ability to pay is required.

Virginia Preschool Initiative
The Virginia Preschool Initiative provides funding for programs for unserved, at-risk four-year-old children, which include quality preschool education, health services, social services, parental involvement, and pupil transportation. The estimated number of unserved at-risk four-year-olds is multiplied by $6,000 for full-day programs and $3,000 for half-day programs. A local match based on the district’s Composite Index of local ability to pay is required.

**Revenue and Expenditure Information**

**State Mandates Restricting Revenue or Expenditure Increases**
Does not apply.

**Property Assessment Ratios Used/Legal Standards for Property Assessment**
State law requires that real property is assessed at 100% of fair market value with periodic reassessments. Additionally, the property valuation component of the Composite Index, referred to as true valuation of property, is state-equalized through the application of biennial sales-ratio studies conducted by the Virginia Department of Taxation.

**Measure of Local Ability to Support Schools**
Composite Index which includes real and public service corporation property valuation, Virginia adjusted gross income, and taxable retail sales receipts calculated on both a per pupil and per capita basis.

**School Division Budget and Tax Rate Procedures/Sources of Local Revenue**
The 136 school divisions are fiscally dependent on county Boards of Supervisors or City Councils to approve the school budget and set tax rates for all purposes. The sources of local school revenue are derived primarily from the property tax, followed by the sales tax, and other miscellaneous taxes.

**State Support for Nonpublic Schools**
Does not apply.