



VIRGINIA

Description of the Formula

The Commonwealth of Virginia employs a Foundation Program formula that is based upon students in average daily membership (ADM) for the current year as established by the ADM count on March 31st. Basic Program funding is determined by multiplying the ADM for each school division by a per student amount calculated through use of a complex procedure known as the Joint Legislative Audit and Review Commission² (JLARC) methodology. Pursuant to the JLARC methodology, the foundation program per student costs are calculated separately for each of the 136 school divisions by determining the *minimum* instructional and support staff required to fulfill the Standards of Quality (SOQ) and state accreditation requirements by individual school within each school division of the Commonwealth.

Statewide, the State mean per student costs for funding the (SOQ) for FY 2015 is projected at \$4,580 per student in ADM and the Local mean costs is projected at \$2,838 per ADM. The total State + Local mean costs is projected at \$7,418 per student in ADM. In contrast, five years prior, FY 2010, the State mean costs was \$4,709 per student in ADM and the Local mean costs was \$3,071. The total State + Local mean costs was \$7,781 per ADM. Without adjusting for the costs of inflation, both governmental agencies reduced funding for public K12 schools by \$363 per student in ADM, or by 4.7%.

The state and local fiscal responsibilities are determined and equalized by application of the Local Composite Index (LCI). (See: *Measure of Local Ability to Support Schools*). The school divisions' shares of a 1.125% state sales and use tax³ are distributed by calculation of their *pro rata* shares of the total school-age population for the Commonwealth and are deducted from the total foundation program cost prior to application of the equalizing LCI.

²The Joint Legislative Audit and Review Commission (JLARC) is a permanent commission jointly established by the Virginia Senate and House of Delegates and is routinely tasked to conduct research studies and audits for the Commonwealth. JLARC employs a fulltime professional and support staff to perform the work of the Commission.

³Since 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.

The majority of all remaining costs are categorical⁴ and are shared by the state and local school divisions through use of the LCI. Ninety-one percent of total state aid is distributed through use of the LCI which usually generates local required expenditures. Although most of the categorical grants are not calculated through use of the LCI, fiscal responsibilities for the state and local school divisions for the larger programs (grants) are so determined. However, local required expenditures, as determined by the LCI, are truncated and may not exceed 80% for any program cost, including *Basic Aid*; thus, all school divisions receive, as a minimum, 20% state funding for all state-calculated program costs.

In addition to Basic Aid, there are no less than 68 categorical programs funded for FY 2015. 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 Virginia Retirement System (VRS), 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 divisions' local required expenditures. Remedial summer school is the only SOQ program that does not generate local required expenditures.

Additional categorical funds are provided to school divisions based upon *Incentive Programs*; seven are distributed without incurring local required expenditures and the remaining four are appropriated through use of the LCI. These programs include the following: Math/Reading Instructional Specialists, Clinical Faculty, Academic Year Governor's School, Career Switcher Mentoring Grants, and Technology – VPSA, Governors School Planning Grants-Career and Technical Education, Diploma Reforms-Virginia Workplace Readiness Skills Assessment, Early Reading Specialist Initiative, and School Security Equipment Grants.

Categorical Programs (and so entitled) are also funded to include Adult Education, Adult Literacy, Virtual Virginia, American Indian Treaty Commitment, School Lunch and Special Education programs: Homebound, Jails, and State-Operated Programs. None of the Virginia entitled *categorical programs* are distributed through application of the LCI, or generate local required expenditures.

Profits from the *State Lottery Proceeds Fund* are appropriated through nineteen categorical funds to school divisions; seven of the nineteen grants are distributed through employment of the LCI. Specifically, the Lottery Proceeds are used to fund four SOQ programs: SOL Algebra Readiness, Early Reading Intervention, English as a Second Language, and a portion of the state grant for Textbooks. Additional appropriations include the following: Foster Care, At-Risk Students, Virginia Preschool Initiative, Mentor Teacher Program, K-3 Primary Class Size Reduction, School Breakfast, Alternative Education, ISAEF, Special Education - Regional Tuition, Career

⁴The term, *categorical*, is a term of art and is defined by school finance professionals as funds designated for specific purposes or to provide additional resources for certain types of students, e.g. special education, gifted and talented, etc. Virginia appropriates funds for 68 categorical programs but only entitles eight programs as categorical.

and Technical Education, Supplemental Basic Aid, Project Graduation, Virginia Teacher Corps, Race to GED, and Path to Industry Certification.

Finally, twenty-one small categorical programs are funded through *Supplemental Assistance Programs*. These programs are not calculated through the LCI or generate local required expenditures. They include: Career and Technical Education Resource Center, Jobs for Virginia Graduates, Project Discovery, Small School Division Assistance, Southside Virginia Technology Consortium, Southwest Virginia Public Education Consortium, Virginia Career Education Foundation, Van Gogh Outreach Program, Charter School Supplement, Virginia Student Training and Refurbishment (VA STAR) Program, VA Teacher Scholarship Loan Program, National Board Certification Program, Great Aspirations Scholarship Program, Teacher Recruitment Preparation Pilot Initiative, Teacher Recruitment & Retention, Math & Science, Teacher Recruitment Pilot Initiative, Youth Development Academy, Communities in Schools, Virginia STEAM Academy, Positive Behavioral Interventions & Support, Year-Round Schools Planning Grants, and Teach for America.

Division-Based Components – Categorical Programs

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 enrollment size of the school division. This includes a minimum of 51 professional instructional and aide positions, one gifted professional instructional position, six occupational and special education professional instructional and aide positions, and other partial instructional and aide positions, resulting in a total of 59.1 professional instructional and aide positions per 1,000 students in ADM that are funded jointly by the state and localities. Statewide, the state contributes 55% and localities 45% for the above state-calculated costs. As a result of how the costs are calculated for school divisions of varying enrollment sizes, Virginia Beach with an enrollment of 68,912, qualifies for \$5,322 per student in ADM while Highland County with an enrollment of 187, qualifies for \$9,527 per ADM.

Grade Level Differences

Does not apply.

Capital Outlay and/or Debt Service

Literary Fund Loans ostensibly are available from the Commonwealth up to a maximum loan of \$7.5 million per project. Due to unavailability of funds, Literary Fund Loans have not been issued since January 2008 and the prospect for the future is not encouraging. If funds again become available, the interest rates charged school divisions will be as follows:

- 0.2999 and below -- 2%
- From 0.3000 to 0.3999 -- 3%
- From 0.4000 to 0.4999 -- 4%
- From 0.5000 to 0.5999 -- 5%
- 0.6000 and above -- 6%

Virginia Public School Authority (VPSA) offers school divisions use of the credit rating for the Commonwealth and usually lower interest rates to market their bonds. The VPSA also enables divisions to market their bonds without voter approval unless restricted by the localities' own policies and regulations.

Lottery Funds not designated for specific programs (listed above as *State Lottery Proceeds Fund*) are provided to school divisions to support the state share of the lottery funds per adjusted student in average daily membership which is determined through use of the divisions' LCI. 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.

Student Transportation

The Commonwealth determines per student costs for regular, special arrangement, and exclusive schedule student transportation programs. Per student costs are based on a matrix through use of two variables: geographical density and division size, i.e., number of students, 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 the school divisions' LCIs. Also, the state contributes to the bus replacement costs based on a twelve-year replacement cycle.

Charter Schools

Charter Schools in Virginia are public charters that are authorized and administered by local school divisions. Only one small grant is available from the Commonwealth.

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 General Assembly 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 student basis. The additional per student special education funds are shared between the state and local school divisions according to a school division's LCI.

Low Income / Comp Ed / At-Risk

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.

English Language Learner/Bilingual Education

English as a Second Language (ESL)

State funds are provided to support local school divisions that provide the necessary educational services to children not having English as their primary language. The funding provided by the state help support the salary and benefits cost of instructional positions is set at a standard of 17 positions per 1,000 ESL students.

Gifted and Talented Education

Gifted education funding supports the state share of one full-time equivalent (FTE) instructional position per 1,000 students in adjusted ADM.

Career and Technical Education

Adult Education funds provide adult education for persons who have academic or economic disadvantages, and who have limited English-speaking abilities. These funds pay for full-time and part-time teacher salaries and supplements to existing teacher salaries. Career and technical allocations for equipment are provided for the following areas: Agricultural Education; Business and Information Technology; Career Connections; Family and Consumer Sciences; Health and Medical Science Education; Marketing; Technology Education; and Trade and Industrial Education. Occupation Prep funds are used to provide a portion of the salary of principals and assistant principals of divisional vocational technical centers and assistant principals at regional vocational centers, which are not required by the SOQ, and therefore, not funded through Basic Aid. These funds also pay a portion of the cost of extended contracts for vocational teachers.

Preschool Education

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. Programs must provide full-day or half-day and, at least, school-year services. Educational services may be delivered by both public and private providers.

Prevention, Intervention & Remediation

Prevention, Intervention, and Remediation funding, a component of the SOQ, provides remedial services to children who need additional instruction. Funding is disbursed to local school divisions to support the state share of additional professional instructional positions ranging from a pupil teacher ratio of 10:1 to 18:1 based on the division-level failure rate on the SOL English

and mathematics tests for all students at-risk of educational failure (the three-year average free lunch eligibility data are used as a proxy for at-risk students).

Vocational Education

State SOQ funds are used to support Career and Technical Education courses for students in grades 6-12. The funds are provided to support career and technical education courses for students in grades 6-12. The funding supports the salary cost of instructional positions based on the class size maximums established by the Virginia Board of Education.

Remedial Summer School

Remedial Summer School programs provide additional education opportunities for at-risk students. These 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 school session, or during an intersession in the case of year-round schools.

School Breakfast

Local school food authorities administer the School Breakfast Program at the local level. Participating schools must serve breakfasts that meet federal nutrition standards, and must provide free and reduced-price breakfasts to eligible children. This funding provides an incentive to increase student participation in the school breakfast program and to leverage increased federal funding resulting from higher participation.

Technology - Virginia Public School Authority (VPSA)

VPSA Technology program provides grant funding for school divisions to purchase additional technology to support the SOL Technology Initiative. Eligible schools include those reporting membership as of September 30th and are subject to state accreditation requirements, as well as regional centers including Vocational Centers, Special Education Centers, Alternative Education Centers, Academic Year Governor's Schools, and the School for the Deaf and the Blind. Funding is also included for the Virginia e-Learning Backpack Initiative to purchase tablet computers for ninth grade students in high schools that are not fully accredited for two years. 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.

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.

Special Education Programs

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.

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 curricula 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.

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.

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.

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. Funds also cover children who have been placed in an orphanage or children's home which exercises legal guardianship rights, or who is a resident of

Virginia and has been placed, not solely for school purposes, in a child-caring institution or group home. Funds are also provided to support disabled children attending public school who have been placed in foster care or other such custodial care across jurisdictional lines.

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. Programs must comply with the provisions of §22.1-254D; Code of Virginia.

K-3 Primary Class Size Reduction

State funding is disbursed to school divisions as an incentive payment for reducing class sizes in grades K-3 below the required SOQ standard of a 24:1 student-teacher ratio. Payments are based upon the incremental cost of providing the lower class sizes based on the lower of the statewide average per student cost of all divisions or the actual division per student cost. Schools that have an three-year average 30% free lunch eligibility or greater are eligible for funding. The required ratios range from 19:1 and may go as low as 14:1 based upon the free lunch eligibility rate of the eligible school. The eligible school list and funding are based upon Fall Membership.

Special Education – Regional Tuition

Regional tuition reimbursement funding provides for students with low-incidence disabilities who will 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 that accept eligible children with disabilities from other local school divisions. All reimbursements are in lieu of per student 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 upon the free lunch eligibility percentage for the school division.

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 LCI, referred to as true valuation of property, is inter locality-equalized through the application of biennial sales-ratio studies conducted by the Virginia Department of Taxation.

Measure of Local Ability to Support Schools

The LCI contains a series of algebraic algorithms that mathematically merge a wealth measure, the true value of locally assessed real property and state-assessed public service corporation property, and two economic indicators: Virginia adjusted gross income and taxable retail sales receipts. Two calculations are conducted that yield a per capita index and a per ADM index. The two indices are then merged by weighting the per ADM index by $2/3^{\text{rds}}$ and the per capita index by $1/3^{\text{rd}}$. The individual unadjusted school division indices traditionally have ranged from a high of 1.0000 and greater to a low of approximately 0.1400, ostensibly setting the state share at 0.0 percent for the highest fiscal capacity school districts to 86.0 percent for the least fiscally able school districts. However, the LCI is truncated so that no school division uses an index larger than .8000, thereby guaranteeing that no school division will receive less than 20% state funding.

School Division Budget and Tax Rate Procedures/Sources of Local Revenue

The 136 school divisions are fiscally dependent on county Boards of Supervisors, City Councils, and Town Councils to approve the budgets of their respective school divisions and set tax rates for all local governmental 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.

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