

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

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## **Education Subcommittee Overview Briefing: Part I**

**January 17, 2012**



SENATE FINANCE COMMITTEE

# Education Subcommittee

## Areas of Oversight

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- **Mission:** Oversee the budgets of the agencies under the purview of the Secretary of Education.
  - Elementary and Secondary Education
    - Aid to localities to the 132 school divisions. (Administered by the Department of Education.)
    - Also, Virginia Department of Education, Central Office and Virginia School for the Deaf and Blind.
  - Other Education
    - Seven agencies: library aid and state archives, five museums, and the Commission for the Arts.
  - Higher Education
    - 15 four-year institutions
    - 23 community colleges and one two-year college
    - Four regional higher education centers and one institution focused on research and graduate education
    - State Council for Higher Education in Virginia
- **Goals:** Provide for a quality public education system that assists all students in becoming educated, productive, and responsible citizens.



# Overview

## Elementary & Secondary; Other Education

- GF/NGF appropriation trend charts for each agency are attached.

	FY 2012 (\$ Millions)			MEL
	GF	NGF	Total	
<b>EDUCATION: ELEMENTARY AND SECONDARY</b>				
Secretary of Education	\$4.8	\$0.0	\$4.8	5
Department of Education	\$49.3	\$45.1	\$94.4	315
Direct Aid to Public Education	\$4,951.8	\$1,403.3	\$6,355.1	
Virginia School for the Deaf & Blind	\$9.1	\$1.2	\$10.3	182
<b>SUBTOTAL</b>	<b>\$5,015.0</b>	<b>\$1,449.6</b>	<b>\$6,464.6</b>	<b>502</b>
<b>EDUCATION: OTHER</b>				
Library of Virginia (includes \$14.8M local aid)	\$26.1	\$10.5	\$36.6	200
Virginia Museum of Fine Arts	\$9.9	\$17.3	\$27.2	215
Science Museum of Virginia	\$4.5	\$6.3	\$10.8	92
Jamestown-Yorktown Foundation	\$6.4	\$8.8	\$15.2	180
Frontier Culture Museum of Virginia	\$1.4	\$0.4	\$1.8	38
Gunston Hall	\$0.5	\$0.3	\$0.8	11
Virginia Commission for the Arts	\$3.8	\$0.9	\$4.7	5
<b>SUBTOTAL</b>	<b>\$52.6</b>	<b>\$44.5</b>	<b>\$97.1</b>	<b>741</b>



# FY 2007 to FY 2014

## Elementary & Secondary; Other Education

**ANALYSIS OF CHANGES, FY 2007 - 2014, As Proposed**  
**(Legislative Appropriations, General Funds, \$ Millions)**

Agency	FY 2007	As Proposed FY 2014	\$ Change	% Change
Virginia Museum of Fine Arts	\$8.2	\$9.8	\$1.6	19.6%
<b>Direct Aid to Public Education<sup>1,2</sup></b>	<b>\$5,245.7</b>	<b>\$5,175.7</b>	<b>(\$70.0)</b>	<b>-1.3%</b>
Science Museum of Virginia	\$5.4	\$4.9	(\$0.5)	-8.7%
Secretary of Education <sup>3</sup>	\$0.7	\$0.6	(\$0.1)	-14.8%
Library of Virginia (incl. local aid)	\$31.1	\$25.6	(\$5.4)	-17.5%
Department of Education	\$60.4	\$48.5	(\$11.9)	-19.7%
Gunston Hall	\$0.6	\$0.5	(\$0.1)	-22.3%
Frontier Culture Museum	\$1.7	\$1.3	(\$0.4)	-24.6%
Virginia Commission for the Arts	\$4.9	\$3.6	(\$1.2)	-25.4%
Virginia School for the Deaf & Blind <sup>4</sup>	\$13.7	\$8.8	(\$4.8)	-35.4%
Jamestown-Yorktown Foundation <sup>5</sup>	\$12.0	\$6.7	(\$5.3)	-43.8%

<sup>1</sup>Adjusted to exclude Lottery Proceeds from FY 2007 GF for comparison purposes.

<sup>2</sup>On a per pupil basis, \$4,406 declined by 4.7 percent to \$4,209 by FY 2014.

<sup>3</sup>Adjusted to exclude \$600,000 in FY 2014 for planning college lab schools, budgeted under Secretary of Education.

<sup>4</sup>Adjusted to include \$6.6 million in FY 2007 for VSDB-Hampton, which has since merged with the Staunton campus.

<sup>5</sup>Adjusted to include \$506,796 in FY 2007 in temporary funding for the Jamestown 2007 commemoration.



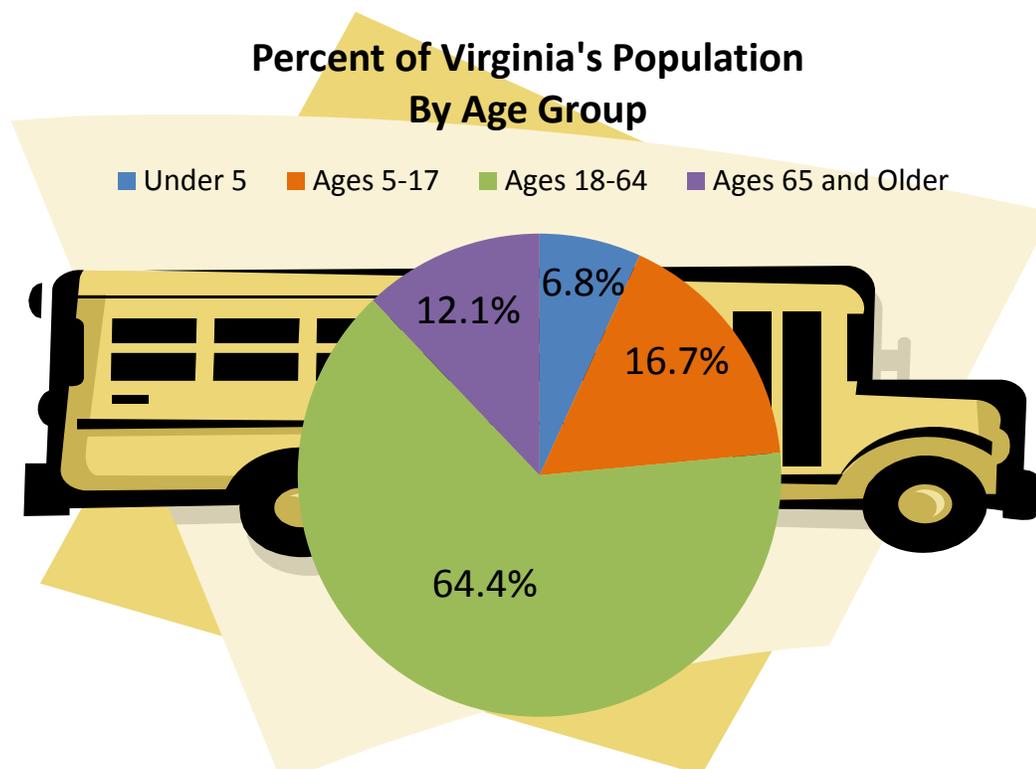
# Virginia Department of Education

<u>Division and Office</u>	<u>Staff</u>	<u>By Division</u>
<b>Office of the State Superintendent</b>	10	<b>10</b>
<b>Finance and Operations</b>	3	<b>52</b>
Accounting	7	
Budget	8	
Grants Accounting & Reporting	9	
Human Resources	3	
Procurement	2	
School Nutrition Programs	12	
Support Services	8	
<b>Instruction</b>	2	<b>46</b>
Program Administration and Accountability	19	
Standards, Curriculum & Instruction	25	
<b>Policy &amp; Communications</b>	2	<b>12</b>
Board Relations	2	
Communications	3	
Policy	5	
<b>Special Education &amp; Student Services</b>	2	<b>63</b>
Dispute Resolution & Administrative Services	10	
Federal Program Monitoring	14	
Financial & Data Services	5	
Instructional Support & Related Services	6	
Special Education Instructional Services	12	
Student Services	14	
<b>Student Assessment &amp; School Improvement</b>	2	<b>37</b>
Assessment Development	9	
School Improvement	12	
Test Administration, Scoring & Reporting	14	
<b>Teacher Education &amp; Licensure</b>	3	<b>17</b>
Licensure	12	
Teacher Education	2	
<b>Technology, Career &amp; Adult Education</b>	2	<b>64</b>
Adult Education & Literacy	11	
Career & Technical Education	20	
Educational Information Management	23	
Educational Technology	8	
	<b>301</b>	



# One in Six Virginians is School Aged

- Statewide Virginia currently has 1.2 million students in Average Daily Membership (ADM).
- Children aged 5-17 represent 16.7 percent of Virginia's total population.
  - Virginia has relatively more residents ages 18-64 at 64.4 percent of the resident population, compared to the U.S. average of 62.9 percent.



# The Size of Virginia's 132 School Divisions Varies Substantially

- **Big:** The ten largest school divisions account for half the state's students.
  - **Really Big:** With over 167,000 students, Fairfax County is more than twice as large as the next biggest school division.
- **Very Small:** Fifteen school divisions have fewer than 1,000 students.

# of Students	# of School Divisions	Percent of Students
1-999	15	1
1,000-4,999	74	17
5,000-9,999	21	12
10,000-24,999	16	20
25,000-49,999	5	14
50,000 or more	<u>5</u>	<u>36</u>
	<b>136*</b>	<b>100%</b>

Data as of FY 2011 projected Average Daily Membership.

\*Four sets of school divisions are jointly operated: Bedford City/County, Emporia/Greensville, Williamsburg-James City County, and Fairfax City/County.



# Education Funding and Virginia's Constitution

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- Pursuant to the Constitution of Virginia, public education is a shared responsibility of the state and localities.
  - Article VIII, Sections 1 and 2:
    - The General Assembly has responsibility to provide a system of free public schools for all children and to ensure that an educational program of high quality is established and continually maintained.
    - The State Board of Education must prescribe the Standards of Quality (SOQ) for the school divisions, subject to revision only by the General Assembly.
    - The General Assembly decides what the costs are and how they will be shared between the state and localities.



# Key Components of the SOQ Funding Framework

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## 1. How many instructional positions are required (by quantified standards)?

- Based on the number of students enrolled and the required staffing standards (i.e. class size) for teachers and other positions.
  - On average, class sizes of 24 or 25 through grade six.

## 2. What is the cost of meeting the staffing requirements and associated costs?

- Since spending in part reflects local decisions, rather than simply reimburse spending, the model is intended to recognize reasonable costs based on what most school divisions spend (i.e. prevailing costs), with some adjustments.

## 3. How are costs shared?

- Of the recognized costs, the average state share is 55 percent (45 percent required local effort), varying locally based on the Composite Index.
- A key exception to this is the distribution of sales tax based only on school aged population. Not equalized through the Composite Index.



## Composite Index of Local Ability-to-Pay

- Each locality's index is based on their local data points relative to the rest of the state, adjusted to maintain an overall statewide local share of 45 percent and capped at a maximum local share of 80 percent.

Tax Year 2009	Statewide	Per Capita Weighted One-Third	Per Student Weighted Two-Thirds
<b>True Value of Property</b> Weighted 50%	\$1.08 trillion	\$136,080	\$895,824
<b>Adjusted Gross Income</b> (Including Non- Resident) Weighted 40%	\$213.1 billion	\$26,873	\$176,905
<b>Taxable Sales</b> Weighted 10%	\$85.8 billion	\$10,818	\$71,214





# Direct Aid to Public Education

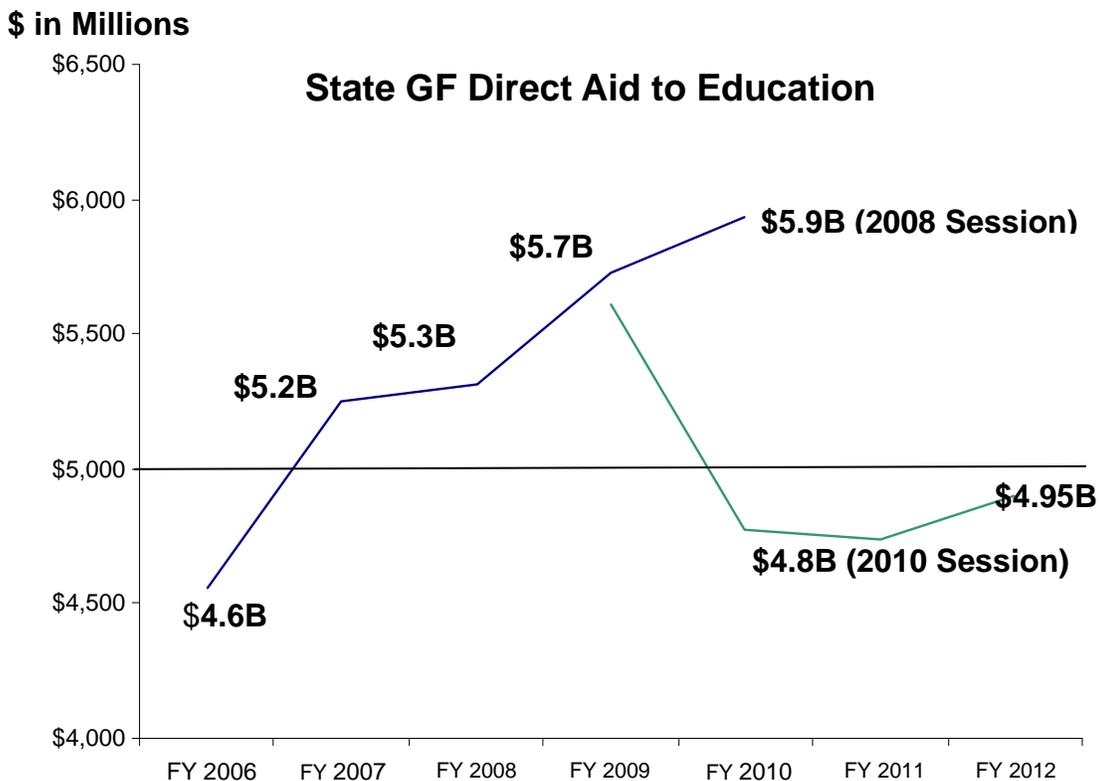
- SOQ funding accounts for about 90 percent of state Direct Aid programs.

<b>State Direct Aid to Public Education*</b>	<b>FY 2012 Ch. 890 (\$ in millions)</b>
<b>SOQ</b> Basic Aid, Sales Tax, Textbooks, CTE/Gifted/Special Ed/ Intervention, VRS/Social Security/Group Life	\$4,902.1
<b>Incentive</b> FY 12 Supplemental Support, Governor’s Schools, Composite Index Hold Harmless, Performance Pay Pilot, Special Ed, and Mentoring	\$121.4
<b>Categorical</b> Special Ed, Adult Ed, School Lunch, Virtual Virginia	\$54.1
<b>Lottery Proceeds</b> SOQ Textbooks, ESL, and Remedial Summer School; Regional Special and Alt. Ed, K-3 Class Size, Preschool, At-Risk, Algebra Readiness, Early Intervention Reading, Project Graduation, CTE Equipment, School Breakfast	\$435.9
<b>Supplemental</b> National Board Certification Bonuses, Teaching Scholarships, Project Discovery, Jobs for Virginia Graduates, CTE Resource Center, GRASP, Regional Consortia	<u>\$7.6</u>
*Includes \$435.9 million in Lottery Proceeds and \$130.1 million from the Literary Fund.	<b>\$5,521.0</b>



# Trend Data – Total and Per Student

- Due to cutbacks since the 2008 Session, FY 2012 GF Direct Aid appropriations are below FY 2007 levels.
  - On a per pupil basis, state GF Direct Aid for FY 2012 is \$4,069, below the FY 2007 amount of \$4,408 per pupil.



Note: For comparison purposes, figures in this chart do not include any Lottery Proceeds, which were budgeted as GF prior to FY 2009.

- Even with the reductions, over the last ten years – a time period that included high rebenchmarking costs and policy changes to the SOQ (2004) -- in constant dollars state aid per pupil increased by an average of about one percent per year.



## Re-benchmarking: School Expenditures

- Total school division operating expenditures (from all revenue sources) increased less than one percent from FY 2008 to FY 2010, which actually represented a decrease on a per pupil basis from \$11,037 to \$11,020.

(\$ in millions)	FY 2008	FY 2010	Change
Local	\$6,591.3	\$6,547.8	(\$43.5)
State	4,607.5	4,236.0	(371.5)
State Sales Tax	1,150.7	1,074.6	(76.1)
Federal	<u>857.3</u>	<u>1,445.8</u>	<u>588.5</u>
<b>Total</b>	<b>\$13,206.8</b>	<b>\$13,304.3</b>	<b>\$97.5</b>

- In FY 2010 federal stimulus dollars cushioned the impact of state and local reductions.
  - In the 2010-12 biennium, the remainder of the stimulus dollars plus one-time federal Education Jobs Fund dollars and local savings from VRS actions provided additional temporary relief.*



# Recent Funding Actions

- Since the 2008 Session, a number of substantive changes in state funding policy have been enacted.

<b>Key State Funding Policy Changes Since 2008</b>	<b>Session</b>	<b>Biennial \$ in millions</b>
Cap funding for support positions	2009	(\$754)
Eliminate school construction grants	2009	(55)
Adjust health care for participation rates	2010	(269)
Eliminate certain school expenditures from SOQ calculation (certain equipment, travel, misc.)	2010	(244)
Include \$0 values in Linear Weighted Average calculation	2010	(79)
Eliminate Lottery support for school construction and operating costs	2010	(67)
Reduce K-3 class size program	2010	(36)
Update federal deduct percentage	2010	(34)
Extend the school bus replacement cycle from 12 to 15 years	2010	(19)
Eliminate enrollment loss assistance	2010	(16)



# Re-benchmarking: Key Cost Factors

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- Although school spending grew less than one percent from FY 2008 to FY 2010, the following factors contribute to the net re-benchmarking increase for the 2012-14 biennium:
  - Removal of FY 2012 one-time funding,
  - Projected enrollment growth of less than one percent/yr.,
  - An increase in instructional salaries of about 2.7 percent (over the two year period),
  - Funding inflation averaging 4 percent up to the beginning of the biennium,
  - Restoring textbooks to full funding,
  - An increase in health care costs of 12 percent,
  - A 4.9 percentage point increase (to 32.0 percent) in free lunch eligibility,
  - Composite Index,
  - Reimbursement levels and participation rates in various programs, including assumed savings in at-risk preschool,
  - Projected Sales Tax growth (distributed based on Weldon Cooper Center's estimate of school age population rather than a triennial census),
  - Lottery Proceeds forecast, and
  - Retirement and other benefits rates.

