

**REPORT OF THE
DEPARTMENT OF EDUCATION**

**Proposed Workplan for
the Technical Work Group
Studying Issues Related to
Direct Aid Education Funding**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 45

**COMMONWEALTH OF VIRGINIA
RICHMOND
2006**



COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

P.O. Box 2120
Richmond, Virginia 23218-2120

BILLY K. CANNADAY, JR., Ed.D.
Superintendent of Public Instruction

Office: (804) 225-2023
Fax: (804) 371-2099

August 1, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, Third Floor
Richmond, Virginia 23219

Dear Governor Kaine:

Item 135, paragraph B.21. of the 2006 Appropriation Act (Chapter 3, 2006 Acts of Assembly, Special Session I) requires the Department of Education to convene a technical work group to include staff of the Department of Planning and Budget, the Senate Finance Committee, the House Appropriations Committee, and the Joint Legislative and Audit Review Commission. The Appropriation Act directs the technical work group to study various issues related to Direct Aid to Public Education funding. The work group is required to provide to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees a detailed project workplan by August 1, 2006, and a summary of its work by September 15, 2007.

I am pleased to transmit the Department's proposed workplan for the technical work group. In accordance with the requirements of the Appropriation Act, this workplan is being submitted to you and to the chairmen of the Senate Finance and House Appropriations Committees.

If you have questions or require additional information relative to this transmittal, please contact me or you may also contact Dan Timberlake, assistant superintendent for finance, at (804) 225-2025 or by e-mail at Daniel.Timberlake@doe.virginia.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Billy K. Cannaday, Jr.", written over a faint, illegible typed name.

Billy K. Cannaday, Jr.

BKC/kd

Enclosure

cc: The Honorable Thomas R. Morris



COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

P.O. Box 2120
Richmond, Virginia 23218-2120

BILLY K. CANNADAY, JR., Ed.D.
Superintendent of Public Instruction

Office: (804) 225-2023
Fax: (804) 371-2099

August 1, 2006

The Honorable John H. Chichester
Chairman, Senate Finance Committee
Virginia General Assembly
P.O. Box 904
Fredericksburg, Virginia 22404-0904

The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee
Virginia General Assembly
P.O. Box 1173
McLean, Virginia 22101

Dear Senator Chichester and Delegate Callahan:

Item 135, paragraph B.21. of the 2006 Appropriation Act (Chapter 3, 2006 Acts of Assembly, Special Session I) requires the Department of Education to convene a technical work group to include staff of the Department of Planning and Budget, the Senate Finance Committee, the House Appropriations Committee, and the Joint Legislative and Audit Review Commission. The Appropriation Act directs the technical work group to study various issues related to Direct Aid to Public Education funding. The work group is required to provide to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees a detailed project workplan by August 1, 2006, and a summary of its work by September 15, 2007.

I am pleased to transmit the Department's proposed workplan for the technical work group. If you have questions or require additional information relative to this transmittal, please contact me or you may also contact Dan Timberlake, assistant superintendent for finance, at (804) 225-2025 or by e-mail at Daniel.Timberlake@doe.virginia.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Billy K. Cannaday, Jr.", with a large, stylized flourish at the end.

Billy K. Cannaday, Jr.

BKC/kd

Enclosure

cc: The Honorable Timothy M. Kaine
The Honorable Thomas R. Morris

Proposed Workplan for the Technical Work Group

Preface

Item 135, Chapter 3, 2006 Acts of Assembly, Special Session I (the appropriation act), requires the Department of Education (DOE) to convene a technical work group to study issues related to funding provided to Virginia's public schools through the budget for Direct Aid to Public Education. Specifically, the appropriation act states:

The Department of Education shall convene a technical work group to include appropriate staff of the Department of Planning and Budget, the Senate Finance and House Appropriations Committees, and the Joint Legislative and Audit Review Commission. The group shall: 1) study re-benchmarking cost trends and drivers; 2) review existing Standards of Quality (SOQ), incentive, categorical, and school facilities funding streams within Direct Aid to Public Education, as well as the Literary Fund, and identify options for efficiencies and cost savings and for greater funding flexibility, especially to better prepare the state and localities for future economic downturns; 3) consider alternatives to across-the-board compensation supplements to better target state funds; 4) review funding streams for programs for students at-risk of academic failure, and assess whether such programs should be incorporated into the SOQ; and 5) examine special education funding issues.

The technical work group shall provide to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees: a) a detailed project workplan no later than August 1, 2006, and b) a summary of their work by September 15, 2007.

In order to meet the requirements of this study, DOE proposes the following workplan.

Objective

The objective of this review will be not only to meet the requirements outlined in the Appropriation Act but also to provide full documentation of the components that make up the funding appropriated in the budget for Direct Aid to Public Education. These components will include the formulas and data sources that are used for the Standards of Quality, incentive, categorical, and school facilities programs. In order to make informed decisions about funding for public education, it is important to start with a detailed understanding of the current funding methodology.

This study will begin with a review of the formulas used to fund the Standards of Quality and other public education programs. This analysis will include identification of the key data elements used in the formulas as well as tracing these data to their source of origin. By breaking down the formulas and identifying the key data used in each formula, state decision

makers will have a starting point for understanding the underlying assumptions that drive the cost of the Standards of Quality and other forms of funding in the Direct Aid to Public Education budget. From this common starting point, options can be identified and decisions about changes to public education funding can be made in an informed manner.

Schedule

The activities of the work group are presented using a quarterly timeline. The activities for each quarter were selected to represent the order in which the work needs to be completed. They also reflect the need to be sensitive to peak workloads of the staff involved. For instance, the first and second quarter activities are largely conducted by the Department of Education staff in an effort to be sensitive to the demands on staff from the Department of Planning and Budget in the first quarter and the demands on the legislative staff in the second quarter.

It is anticipated that all work will be completed by the first part of August in order to provide sufficient time to write the report, allow for review and comment, and deliver the final product by the September 15, 2007, deadline.

First Quarter – September 2006 – November 2006

Objective: Detail the components of the Standards of Quality

Activities:

- Define formulas
- Identify key data sources
- Flowchart/diagram data flow through formulas

Second Quarter – December 2006 – February 2007

Objective: Detail remaining components of Direct Aid to Public Education budget

Activities:

- Define formulas
- Identify key data sources
- Flowchart/diagram data flow through formulas

Third Quarter – March 2007 – May 2007

Objective: Evaluate changes in cost over time

Activities:

- Evaluate impact of changing base years for determining the cost of the SOQ
- Evaluate impact of salary and fringe benefit changes
- Evaluate impact of enrollment changes
- Evaluate impact of staffing policy changes
- Evaluate impact of support cost changes
- Evaluate impact of inflation changes
- Evaluate trends in cost changes by account for Direct Aid to Public Education
- Evaluate the use of the Literary Fund in Direct Aid to Public Education funding

Fourth Quarter – June 2007 – August 2007

Objective: Identification of alternative methods for determining costs and selection of data sources

Activities:

- Review of special education funding
- Review of sales tax distribution options
- Review of remediation/prevention/intervention funding and at-risk funding issues
- Review of options and alternatives identified by work group
- Compile information and data
- Complete final report