



COMMONWEALTH of VIRGINIA

DEPARTMENT OF EDUCATION

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Richmond, Virginia 23218-2120

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

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October 6, 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:

Section 22.1-98.2, *Code of Virginia*, provides additional state funding to school divisions serving fewer than 350 students in the prior school year if they enter into a cost-saving or service-sharing agreement with a contiguous school division that meets criteria established by the Board of Education. Section 22.1-98.2, *Code of Virginia*, further authorizes the department to provide the additional state funding to the qualifying school division by calculating its basic aid entitlement using the lowest composite index of the contiguous school divisions involved in the agreement.

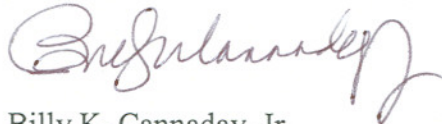
This statute also requires the Governor to approve any payments made in accordance with these criteria before they are distributed to the qualifying school division. Pursuant to Section 22.1-98.2, *Code of Virginia*, the Department of Education is required to report annually to the Chairmen of the House Appropriations and Senate Finance Committees the cost-savings agreements made and the adjusted state shares that will be paid to divisions that meet the Board of Education's criteria and that are approved by the Governor.

For Fiscal Year 2007, only Highland County Public Schools meets the enrollment criteria established in Section 22.1-98.2. Highland County has submitted a request and a plan for cost sharing pursuant to the Board of Education's criteria and Section 22.1-98.2. This request is currently under review by the Department of Education, and if found to be in proper order, will be forwarded to the Governor for final approval for Highland County to receive the adjusted payment in fiscal year 2007. The Department of Education will notify you of the outcome of this process after it has been completed. For your reference, I have attached a copy of the criteria approved by the Board of Education.

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If you have questions or require additional information, please do not hesitate to contact Kent C. Dickey, budget director, at (804) 225-2025 or Kent.Dickey@doe.virginia.gov.

Sincerely,

A handwritten signature in dark ink, appearing to read "Billy K. Cannaday, Jr.", written in a cursive style.

Billy K. Cannaday, Jr.
Superintendent of Public Instruction

BKCJr:cle

Attachment

Eligibility Criteria and Procedures for Supplemental Funding for School Divisions in the Commonwealth of Virginia That Enter Into Cost-Saving or Service-Sharing Agreements

Purpose

Section 22.1-98.2, *Code of Virginia*, directs the Board of Education to develop eligibility criteria for cost-saving and service-sharing agreements for school divisions that enter into such agreements with contiguous school divisions. School divisions serving fewer than 350 students in the prior school year that enter into such an agreement with a contiguous school division are eligible to receive the state share for basic aid computed on the basis of the composite index of the contiguous school division, calculated annually, for 15 years.

The Governor must approve the adjustment to the state share for basic aid prior to the disbursement of funds. The Department of Education must annually report to the Chairmen of the House Appropriations and the Senate Finance Committees the cost saving arrangements made, and the adjusted state shares of basic aid approved by the Governor.

Definitions

Eligible school divisions: School divisions that served less than 350 students in the prior school year.

Cost-saving or service-sharing agreements: A formal agreement executed between the eligible school division and one or more contiguous school divisions. This agreement must be evidenced by a written document that bears the original signatures of the superintendents of the participating school divisions. The agreement must contain sufficient information to demonstrate how the agreement meets the eligibility criteria.

Additional State Share of Basic Aid: The difference between the Basic Aid entitlement the eligible school division would normally receive and that which it would receive using the lowest composite index of a contiguous school division participating in the agreement.

Eligibility Criteria

Agreements submitted by an eligible school division to the Department of Education must be made with a contiguous school division and must demonstrate how the agreement meets the following criteria:

- evidence of one or more shared services with another school division; or,
- evidence of the savings or cost increases avoided as a result of shared services or a cooperative agreement for purchasing or other administrative practice; or,
- evidence that a savings has been achieved by contracting services with another school division.

The agreement must include a statement of assurance that it complies with all federal, state, and local laws and regulations.

Examples of agreements that may meet these criteria include, but are not limited, to those that:

1. provide for the consolidation or sharing of specialized educational services or educational support services;
2. provide for the consolidation or sharing of specialized educational facilities in instructional areas such as career and technical education;
3. identify administrative or support services that are duplicative and establish a process for the consolidation or sharing of administrative or support services;
4. provide for joint professional development services;
5. provide for the consolidation or sharing of technology applications and support;
6. provide for the consolidation or sharing of operations and maintenance and custodial services;
7. provide for shared, bulk, or volume purchasing;
8. provide for privatization or outsourcing of support services with a contiguous school division.

Procedures

To be considered for adjusted Basic Aid funding under Section 22.1-98.2, *Code of Virginia*, a school division must submit to the Department of Education a cost or service-sharing plan with a contiguous division prior to September 1 of each fiscal year.

The content of the submitted cost or service-sharing plan must meet the above listed criteria.

Receipt of adjusted Basic Aid funding will begin after approval of the plan by the Department of Education and approval of the adjusted payment by the Governor of Virginia.

The additional Basic Aid payments will be computed for the eligible school division on the basis of full year funding using the lowest composite index of a contiguous school division participating in the agreement.

All payments of additional Basic Aid pursuant to these procedures are subject to appropriation of state funds for this purpose.

State funding of additional Basic Aid does not reduce the required local effort of the eligible school division.

References

- Section 22.1-98.2, *Code of Virginia*
- Chapter 951, 2005 Acts of Assembly