

Overview of 2010–2012 Direct Aid Rebenchmarking, Federal Deduct Methodology, and FY 2010 Flexibility Options

**Presented to the Joint Subcommittee on Elementary
and Secondary Education Funding**

**Kent C. Dickey
Assistant Superintendent for Finance**



Briefing Outline

- **Section A: Rebenchmarking of the Direct Aid to Public Education Budget for the 2010-2012 Biennium**
- **Section B: Review of the Federal Revenue Deduct Methodology**
- **Section C: Flexibility Provisions Included in Chapter 781, 2009 Acts of Assembly**
- **Appendices**

Section A: Rebenchmarking of the Direct Aid to Public Education Budget for the 2010-2012 Biennium

Rebenchmarking Process

- **The Virginia Constitution requires the Board of Education to formulate Standards of Quality (SOQ) for public schools.**
- **The General Assembly is charged with revising the SOQ, determining SOQ costs, and apportioning the cost between the state and localities.**
- **The decision about how much to appropriate for public schools is left to the General Assembly.**
- **Cost rebenchmarking process for public education funding occurs each odd-numbered year in parallel with the Commonwealth's biennial budget cycle.**
- **FY10 from the Chapter 781 budget serves as the base year funding against which the 2010-2012 rebenchmarking cost is determined.**

Rebenchmarking Process

- Rebenchmarking updates are technical in nature and do not involve changes in policy or funding methodology, other than those already approved and directed by the General Assembly.
- This includes showing the cost of rebenchmarking for the 2010-2012 biennium both with and without the support position funding cap, as required by Item 140, paragraph C.5.k.2), Chapter 781, 2009 Acts of Assembly, which states that the Department of Education:

“shall make its calculation for the total cost of rebenchmarking for the fiscal year 2010-2012 biennium to be consistent with the following methodologies: (i) using the ‘support position funding cap’ methodology change contained in House Bill 1600/Senate Bill 850, as introduced in the 2009 Session; and (ii) using the rebenchmarking methodology which was contained within Chapter 879, from the 2008 Session. The Department of Education shall report the final calculations and related costs derived from each of these methodologies to the Governor, the Chairmen of House Appropriations and Senate Finance Committees, and the Board of Education prior to September 1, 2009.”

- The process updates cost of SOQ and other Direct Aid accounts by reconstructing costs step-by-step using latest data available to recognize changes in costs that have occurred over the preceding biennium.
- Costs are projected forward for anticipated enrollment changes, inflation, and other factors.

Rebenchmarking Process

- **Process applies to the Standards of Quality, Incentive, Categorical, and Lottery Funded accounts.**
- **Funding for SOQ programs is determined primarily by instructional staffing ratios and recognized support costs that are funded on a standard and prevailing cost basis.**
- **Incentive programs are voluntary and provide additional education funding that goes beyond the levels required to meet the Standards of Quality.**
- **Categorical programs are generally required by state or federal statutes or federal regulation and target particular needs of specific populations.**
- **Lottery funding supports additional programs that go beyond the Standards of Quality and includes several programs formerly in the Incentive category.**

Rebenchmarking Process

- **SOQ accounts represent approximately 91 percent of state Direct Aid funding so they are impacted most by the rebenchmarking process.**

- **Seven key components of the SOQ funding formula:**
 - 1) **Number of students**
 - 2) **Staffing ratios for teachers and other funded positions**
 - 3) **Salaries of teachers and other funded positions**
 - 4) **Fringe benefit rates**
 - 5) **Standard and prevailing support costs**
 - 6) **Inflation factors**
 - 7) **Prevailing federal revenues related to support costs**

Rebenchmarking Process

- **Major data elements used in 2010-2012 rebenchmarking calculations:**
 - **Funded instructional and support salaries**
 - **Fall Membership and Average Daily Membership projections**
 - **Special education child count**
 - **Career & Technical Education course enrollment**
 - **SOL failure rates and free lunch eligibility percentage for SOQ remedial account**
 - **Base-year expenditure data from 2007-2008 Annual School Report**
 - **Health care premium expenditures**
 - **Nonpersonal inflation factors**
 - **Federal programs revenue**
 - **Prevailing textbooks costs**
 - **Enrollment projections for remedial summer school and English as a Second Language programs**
 - **Updates to division superintendent, school board, school nurse, and pupil transportation costs**

Rebenchmarking Process

Major Inputs that are Fixed for the Biennium:

- Funded Salaries
- Special Education Child Counts
- Original Fall Membership & ADM Projections
- CTE Course Enrollment
- Composite Index
- Head Start Enrollment (for VPI)
- Free Lunch Eligibility Percentage
- SOL Test Scores (for Prevention, Intervention, and Remediation)
- Federal Revenue Deduct (for Support Costs)

Major Inputs that are Updated Annually:

- Enrollment Projections
- Reimbursement Account Projections
- Lottery Revenue Estimates
- Sales Tax Revenue Estimates
- VRS Fringe Benefit Rates (subject to General Assembly action)
- Inflation Factors (subject to General Assembly action)

Rebenchmarking Process

2010-2012 Direct Aid to Public Education Budget
Summary of Major Data Elements Used in 2010-2012 Rebenchmarking Calculations

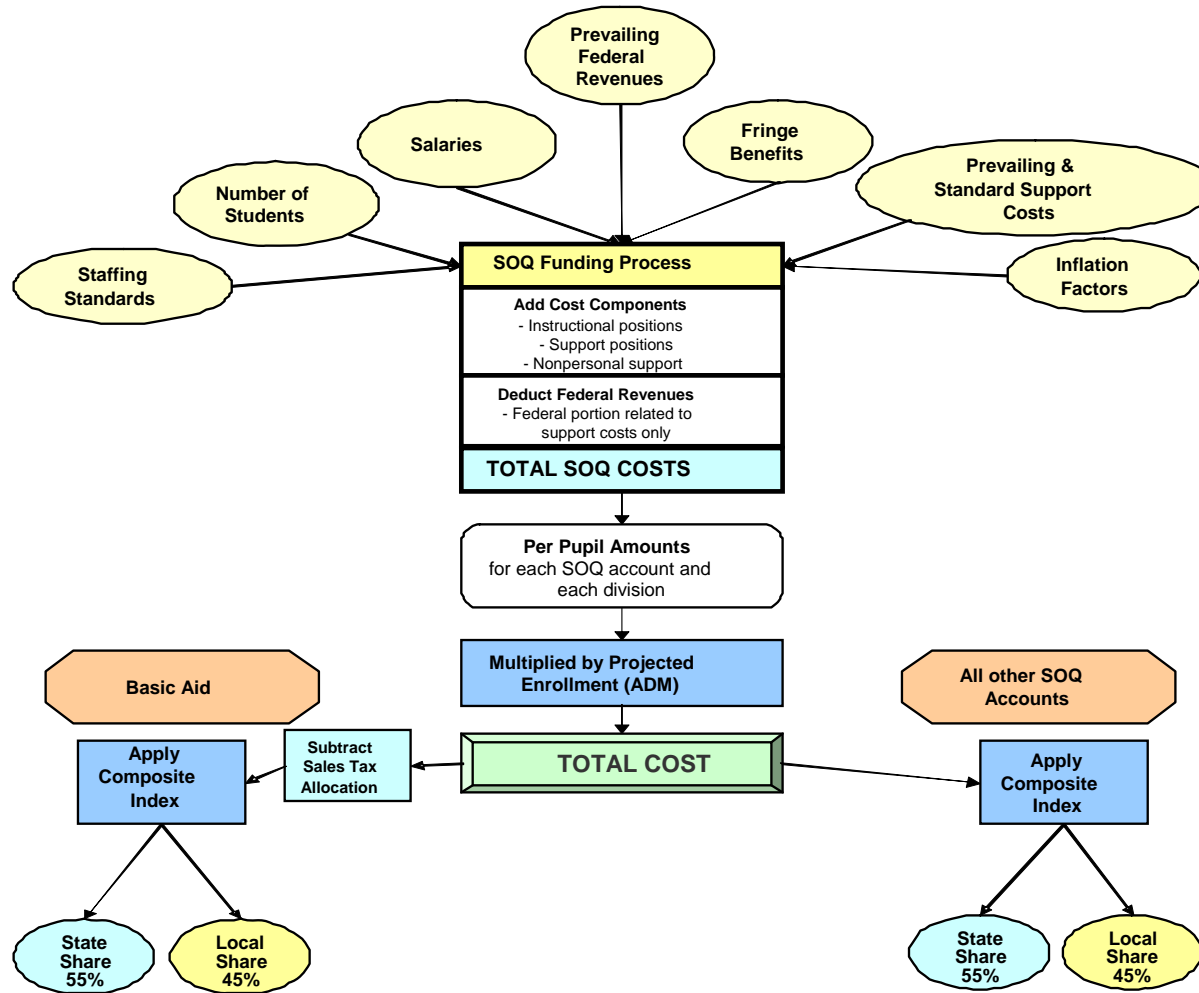
	FY 2010 Base	FY 2011 & FY 2012
A. Student Enrollment Data		
Fall Membership	2006-2007	2008-2009
Special Education Child Count	December 1, 2006	December 1, 2008
Career & Technical Education Course Enrollment	2006-2007	2008-2009
SOQ Prevention, Intervention and Remediation (<i>SOL English & Math Test Scores</i>)	Three-year average (2003-04; 2004-05; 2005-06)	Three-year average (2005-06; 2006-07; 2007-08)
SOQ Prevention, Intervention and Remediation (<i>Free Lunch Eligibility Data</i>)	Three-year average (October 2004, 2005, 2006)	Three-year average (October 2006, 2007, 2008)
B. Expenditure Data (funded salaries and support costs)	2005-2006 Annual School Report	2007-2008 Annual School Report
C. Fringe Benefit Rates		
Instructional VRS Retirement (Including Retiree Health Care Credit)	9.85%	9.85% (Update in Fall 2009)
Non-instructional VRS Retirement	7.62%	7.62% (Update in Fall 2009)
Social Security/Medicare	7.65%	7.65%
Group Life Insurance	0.27%	0.27% (Update in Fall 2009)
Health Care Premium (<i>Funded per <u>position</u> amount with Inflation</i>)	\$5,188	\$5,793
D. Composite Index (<i>Base-Year Data</i>)	2005	2007 (Update in Fall 2009)
E. Funded Non-Personal Support Inflation Factors (<i>Unweighted average</i>)	5.39%	0.52%
F. Textbooks (<i>Funded Per Pupil Amount with Inflation</i>)	\$118.52	\$76.01
G. Average Daily Membership Projections (<i>Original</i>)	1,221,682 (FY 2010)	1,212,501 (FY 2011), 1,221,831 (FY 2012)

Rebenchmarking Process

- **The following data inputs were not available for the Board of Education budget but will be updated and included in the 2010-2012 budget as introduced by the Governor in December 2009:**
 - **Revised composite index for the 2010-2012 biennium**
 - **Final enrollment projections**
 - **Revised Lottery revenue projections**
 - **Revised sales tax revenue projections**
 - **Revised fringe benefit rates from VRS**

- **State cost of 2010-2012 rebenchmarking is significantly lower than for the 2008-2010 biennium due to various factors highlighted on later slides.**

Rebenchmarking Process for SOQ



2010-2012 Rebenchmarking Costs

Note: Slides 13 – 15 show the incremental steps used in rebenchmarking the Direct Aid budget for the 2010-2012 biennium, using the FY10 base from Chapter 781. The last step (#24) shows the cost to remove the support position funding cap.

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
1	Reset Support Personal Inflation Factors to 0% in SOQ Model	(29,271,364)	(29,271,364)	(58,542,728)
2	Update Fall Membership and Average Daily Membership	43,034,347	46,626,632	89,660,979
3	Update Special Education Child Count to December 1, 2008	(15,359,977)	(15,354,703)	(30,714,680)
4	Update Career & Technical Education Course Enrollment to Beginning School Year 2008	886,468	811,315	1,697,783
5	Update SOQ Remediation SOL Test Scores and Free Lunch Percentage	730,062	859,664	1,589,726
6	Update SOQ Gifted, Support Technology, and Instructional Technology Positions	(523,374)	(399,281)	(922,655)
7	Update SOQ Prevailing Instructional Salaries	(17,519,246)	(17,506,159)	(35,025,405)
8	Update Health Care Premium (without inflation)	35,332,715	35,504,569	70,837,284

2010-2012 Rebenchmarking Costs

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
9	Update Prevailing Textbook Per Pupil Amount (without inflation)	(25,199,060)	(25,268,945)	(50,468,005)
10	Reset Nonpersonal Inflation Factors to 0% in SOQ Model	(64,712,946)	(64,712,946)	(129,425,892)
11	Update Base-Year Expenditures (ASRFIN) for Support Personal Costs to FY08	52,512,011	52,768,217	105,280,228
12	Update Base-Year Expenditures (ASRFIN) for Support Nonpersonal Costs to FY08	38,874,888	35,313,121	74,188,009
13	Update Support Positions Cap	(12,452,565)	(12,885,798)	(25,338,363)
14	Update Federal Revenue Deduct Per Pupil Amount	2,177,284	2,130,997	4,308,281
15	Update Pupil Transportation Costs	33,907,430	46,632,633	80,540,063
16	Update Costs for Superintendents, School Boards, and School Nurses (w/o inflation)	5,781,638	5,578,808	11,360,446
17	Update Nonpersonal Inflation Factors	8,078,551	8,048,194	16,126,745
18	Update Personal Inflation Factors (0% adjustment since no FY09 or FY10 salary increase)	0	0	0

2010-2012 Rebenchmarking Costs

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
19	Update English as a Second Language Enrollment Projections	2,813,877	5,934,217	8,748,094
20	Update Remedial Summer School Per Pupil Amount and Enrollment Projections	44,967	545,811	590,778
21	Update Incentive Accounts (See Appendix B for Account Listing)	695,170	1,045,760	1,740,930
22	Update Categorical Accounts (See Appendix B for Account Listing)	(95,277)	2,508,067	2,412,789
23	Update Lottery Funded Accounts (See Appendix A for Account Listing)	0	0	0
Total Rebenchmarking State Cost (with support cap maintained)*		\$59,735,599	\$78,908,809	\$138,644,408
24	Remove Support Positions Funding Cap	\$376,075,632	\$378,226,051	\$754,301,683
Total Rebenchmarking State Cost (with support cap removed)*		\$435,811,231	\$457,134,860	\$892,946,091

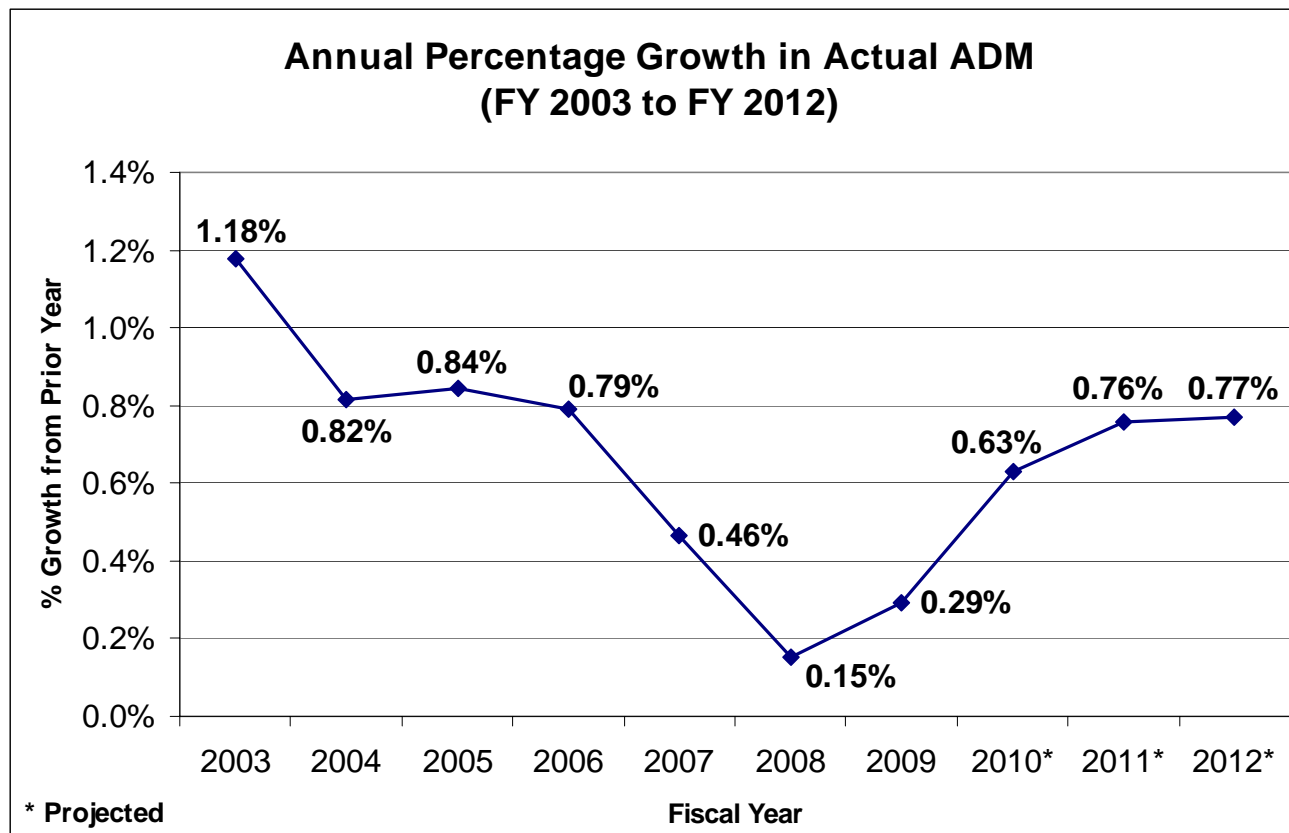
* Pursuant to Item 140, paragraph C.5.k.2), Chapter 781, 2009 Acts of Assembly, the Department of Education “shall make its calculation for the total cost of rebenchmarking for the fiscal year 2010-2012 biennium to be consistent with the following methodologies: (i) using the ‘support position funding cap’ methodology change contained in House Bill 1600/Senate Bill 850, as introduced in the 2009 Session; and (ii) using the rebenchmarking methodology which was contained within Chapter 879, from the 2008 Session. The Department of Education shall report the final calculations and related costs derived from each of these methodologies to the Governor, the Chairmen of House Appropriations and Senate Finance Committees, and the Board of Education prior to September 1, 2009.”

Analysis of Key Data Inputs Impacting 2010-2012 Rebenchmarking Cost

- **The next section of slides provides information on data inputs significantly impacting the 2010-2012 rebenchmarking cost:**
 - **Enrollment**
 - **Special Education Child Count**
 - **SOL Failure Rates**
 - **Free Lunch Eligibility**
 - **Prevailing and Funded Salaries**
 - **Health Care Premium**
 - **Textbook Expenditures**
 - **Support Position Cap**
 - **Federal Revenue Deduct**
 - **Inflation Factors**

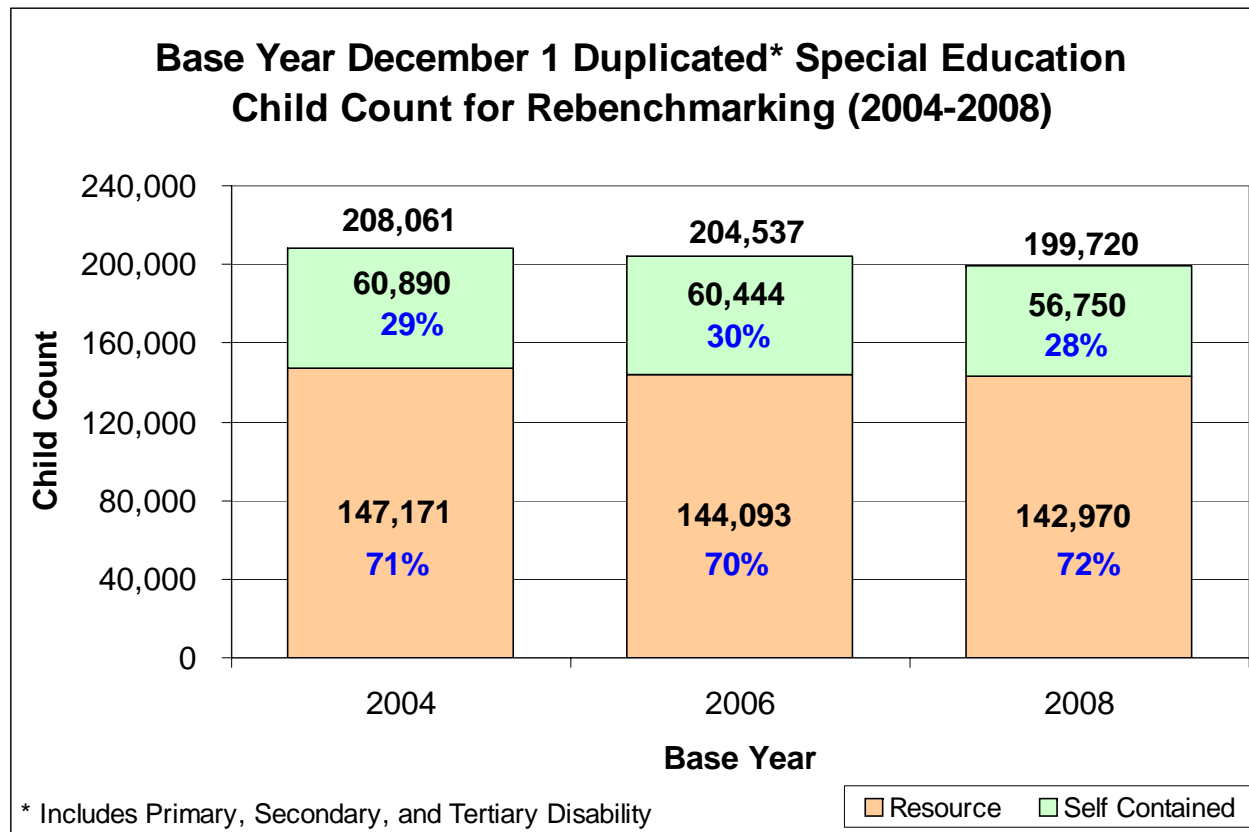
Enrollment

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
2	Update Fall Membership and Average Daily Membership	43,034,347	46,626,632	89,660,979



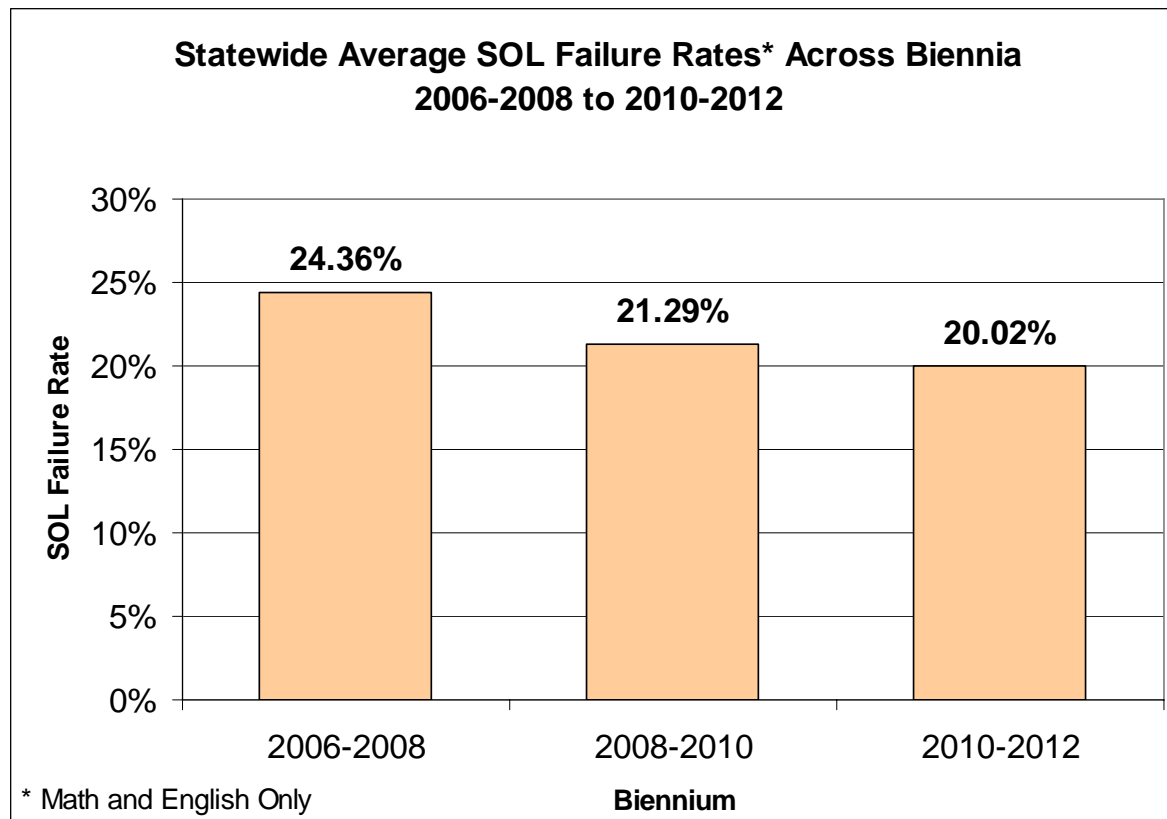
Special Education Child Count

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
3	Update Special Education Child Count to December 1, 2008	(15,359,977)	(15,354,703)	(30,714,680)



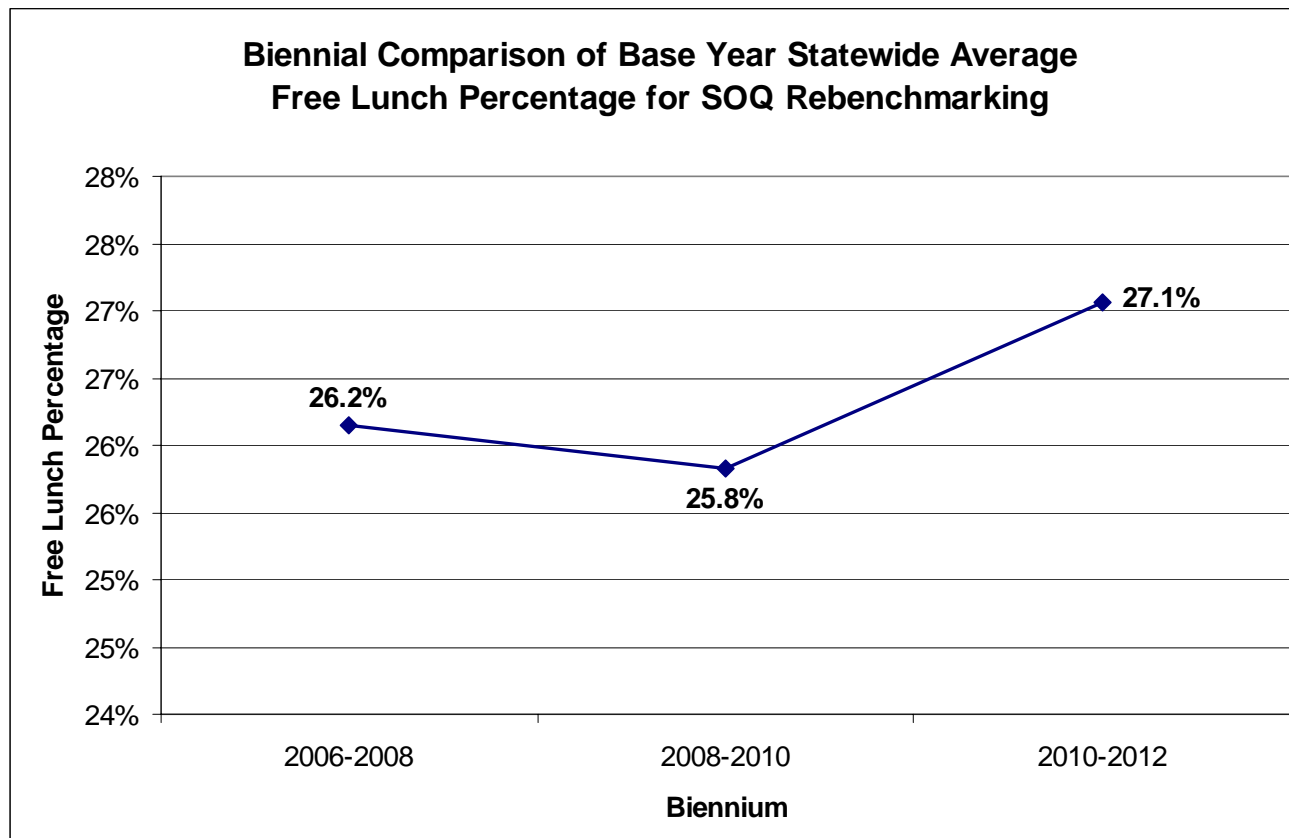
SOL Failure Rates

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
5	Update SOQ Remediation SOL Test Scores and Free Lunch Percentage	730,062	859,664	1,589,726



Free Lunch Eligibility

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
5	Update SOQ Remediation SOL Test Scores and Free Lunch Percentage	730,062	859,664	1,589,726



Instructional Salaries

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
7	Update SOQ Funded Instructional Salaries	(17,519,246)	(17,506,159)	(35,025,405)

Comparison of Prevailing SOQ Instructional Salaries Across Biennia 2006-2008 to 2010-2012 (No Adjustment for State Increases)

Instructional Position	2006-2008 Prevailing Salary (2003-04 Data)	2008-2010 Prevailing Salary (2005-06 Data)	Percent Increase	2008-2010 Prevailing Salary (2005-06 Data)	2010-2012 Prevailing Salary (2007-08 Data)	Percent Increase
Elementary Teachers	\$38,525	\$41,390	7.4%	\$41,390	\$43,904	6.1%
Elementary Asst. Principals	\$54,201	\$58,398	7.7%	\$58,398	\$62,383	6.8%
Elementary Principals	\$66,817	\$72,124	7.9%	\$72,124	\$76,766	6.4%
Secondary Teachers	\$40,403	\$43,158	6.8%	\$43,158	\$46,090	6.8%
Secondary Asst. Principals	\$58,043	\$62,460	7.6%	\$62,460	\$66,658	6.7%
Secondary Principals	\$73,076	\$78,721	7.7%	\$78,721	\$84,564	7.4%
Instructional Aides	\$13,426	\$14,820	10.4%	\$14,820	\$16,104	8.7%

Instructional Salaries

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
7	Update SOQ Funded Instructional Salaries	(17,519,246)	(17,506,159)	(35,025,405)

Comparison of Funded SOQ Instructional Salaries Across Biennia 2004-2006 to 2010-2012 (Adjusted for State Increases)

Instructional Position	2004-2006 FUNDED SALARY	2006-2008 FUNDED SALARY	Percent Increase	2006-2008 FUNDED SALARY	2008-2010 FUNDED SALARY	Percent Increase	2008-2010 FUNDED SALARY	2010-2012 FUNDED SALARY	Percent Increase
Elementary Teachers	\$37,534	\$39,681	5.7%	\$39,681	\$44,337	11.7%	\$44,337	\$43,904	(1.0%)
Elementary Asst. Principals	\$52,546	\$55,827	6.2%	\$55,827	\$62,556	12.1%	\$62,556	\$62,383	(0.3%)
Elementary Principals	\$64,562	\$68,822	6.6%	\$68,822	\$77,259	12.3%	\$77,259	\$76,766	(0.6%)
Secondary Teachers	\$39,641	\$41,615	5.0%	\$41,615	\$46,230	11.1%	\$46,230	\$46,090	(0.3%)
Secondary Asst. Principals	\$57,365	\$59,784	4.2%	\$59,784	\$66,907	11.9%	\$66,907	\$66,658	(0.4%)
Secondary Principals	\$70,945	\$75,268	6.1%	\$75,268	\$84,326	12.0%	\$84,326	\$84,564	0.3%
Instructional Aides	\$12,802	\$13,828	8.0%	\$13,828	\$15,875	14.8%	\$15,875	\$16,104	1.4%

Support Salaries

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
11	Update Base-Year Expenditures (ASRFIN) for Support Personal Costs to FY08	52,512,011	52,768,217	105,280,228

Comparison of Prevailing SOQ Support Salaries Across Biennia 2006-2008 to 2010-2012 (No Adjustment for State Increases)

Support Position	2006-2008 Salary	2008-2010 Salary	Percent Increase	2008-2010 Salary	2010-2012 Salary	Percent Increase
Superintendent	\$108,113	\$120,166	11.15%	\$120,166	\$132,141	9.97%
Assistant Superintendent	\$91,948	\$98,878	7.54%	\$98,878	\$106,021	7.22%
School Nurse	\$29,198	\$31,261	7.06%	\$31,261	\$33,378	6.77%
Instructional Professional	\$56,637	\$59,910	5.78%	\$59,910	\$64,105	7.00%
Instructional Technical/Clerical	\$23,300	\$25,763	10.57%	\$25,763	\$28,232	9.58%
A&H Administrative	\$46,062	\$49,543	7.56%	\$49,543	\$54,139	9.28%
A&H Technical//Clerical	\$21,357	\$22,422	4.99%	\$22,422	\$24,558	9.53%
O&M Professional	\$56,647	\$61,899	9.27%	\$61,899	\$67,823	9.57%
O&M Technical/Clerical	\$22,681	\$24,451	7.81%	\$24,451	\$26,888	9.97%
School Board Member	\$3,453	\$4,134	19.72%	\$4,134	\$4,639	12.21%
Administration Administrative	\$62,967	\$64,420	2.31%	\$64,420	\$68,991	7.10%
Administration Technical/Clerical	\$31,560	\$34,275	8.60%	\$34,275	\$36,629	6.87%
Technology Professional	\$59,242	\$63,397	7.01%	\$63,397	\$68,808	8.54%
Technology Technical/Clerical	\$26,655	\$27,968	4.92%	\$27,968	\$30,411	8.74%
Technology Support Standard	\$33,590	\$35,439	5.51%	\$35,439	\$39,705	12.04%
School Based Clerical	\$23,383	\$24,857	6.30%	\$24,857	\$29,092	17.04%

Support Salaries

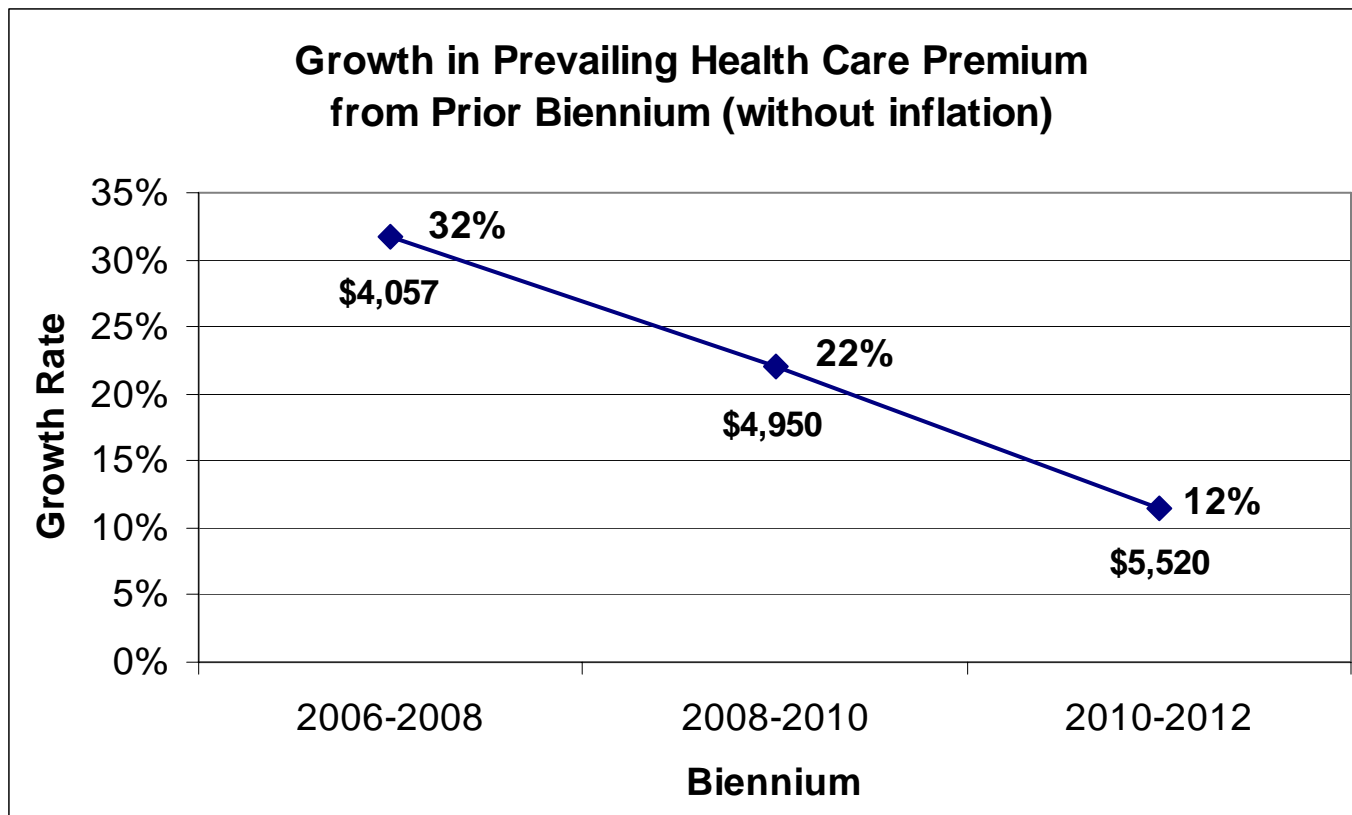
Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
11	Update Base-Year Expenditures (ASRFIN) for Support Personal Costs to FY08	52,512,011	52,768,217	105,280,228

Comparison of Funded SOQ Support Salaries Across Biennia 2006-2008 to 2010-2012 (Adjusted for State Increases)

Support Position	2006-2008 Salary	2008-2010 Salary	Percent Increase	2008-2010 Salary	2010-2012 Salary	Percent Increase
Superintendent	\$111,356	\$127,484	14.48%	\$127,484	\$132,141	3.65%
Assistant Superintendent	\$94,706	\$104,900	10.76%	\$104,900	\$106,021	1.07%
School Nurse	\$30,074	\$33,165	10.28%	\$33,165	\$33,378	0.64%
Instructional Professional	\$58,336	\$63,558	8.95%	\$63,558	\$64,105	0.86%
Instructional Technical/Clerical	\$23,999	\$27,332	13.89%	\$27,332	\$28,232	3.29%
A&H Administrative	\$47,444	\$52,560	10.78%	\$52,560	\$54,139	3.00%
A&H Technical//Clerical	\$21,998	\$23,788	8.14%	\$23,788	\$24,558	3.24%
O&M Professional	\$58,346	\$65,668	12.55%	\$65,668	\$67,823	3.28%
O&M Technical/Clerical	\$23,361	\$25,940	11.04%	\$25,940	\$26,888	3.65%
School Board Member	\$3,557	\$4,386	23.31%	\$4,386	\$4,639	5.77%
Administration Administrative	\$64,856	\$68,343	5.38%	\$68,343	\$68,991	0.95%
Administration Technical/Clerical	\$32,506	\$36,362	11.86%	\$36,362	\$36,629	0.73%
Technology Professional	\$61,019	\$67,258	10.22%	\$67,258	\$68,808	2.31%
Technology Technical/Clerical	\$27,455	\$29,671	8.07%	\$29,671	\$30,411	2.49%
Technology Support Standard	\$34,597	\$37,598	8.67%	\$37,598	\$39,705	5.60%
School Based Clerical	\$24,084	\$26,371	9.49%	\$26,371	\$29,092	10.32%

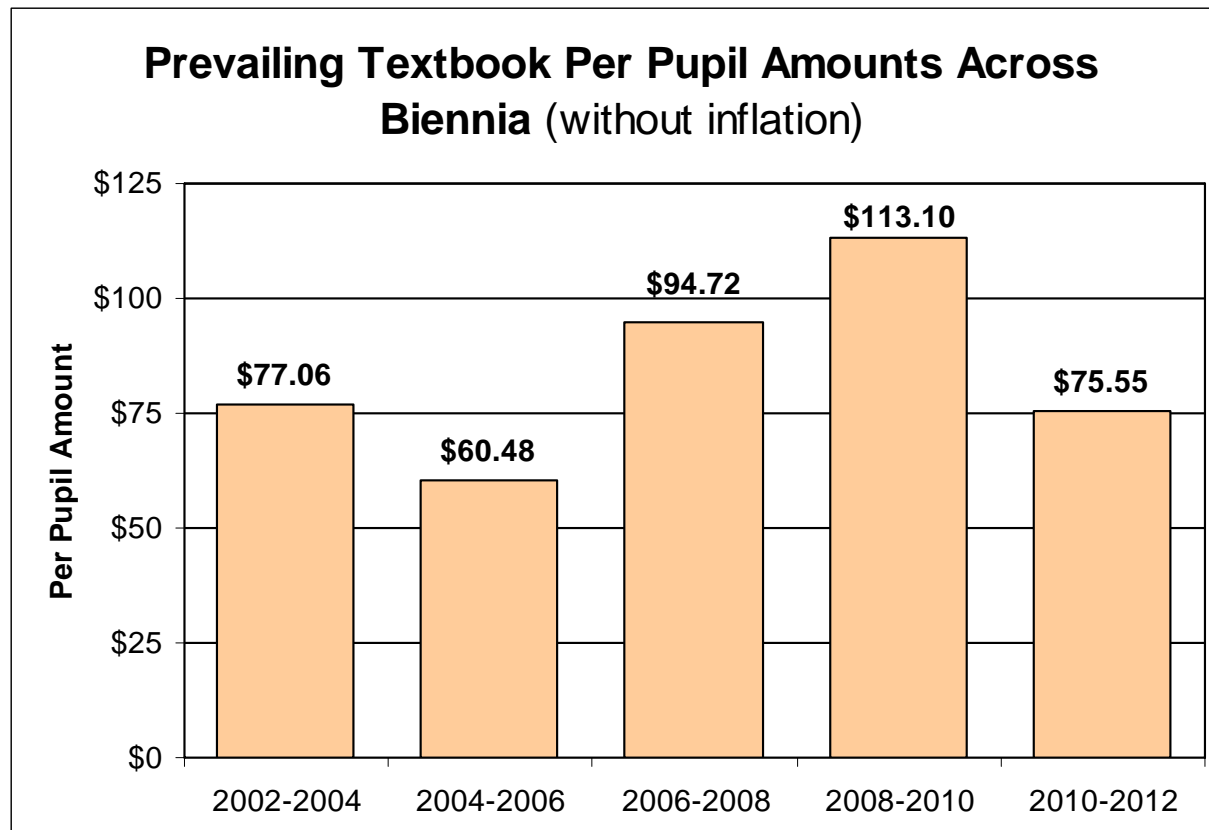
Health Care Premium

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
8	Update Health Care Premium (without inflation)	35,332,715	35,504,569	70,837,284



Textbook Expenditures

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
9	Update Prevailing Textbook Per Pupil Amount (without inflation)	(25,199,060)	(25,268,945)	(50,468,005)



Support Positions Cap

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
13	Update Support Positions Cap	(12,452,565)	(12,885,798)	(25,338,363)

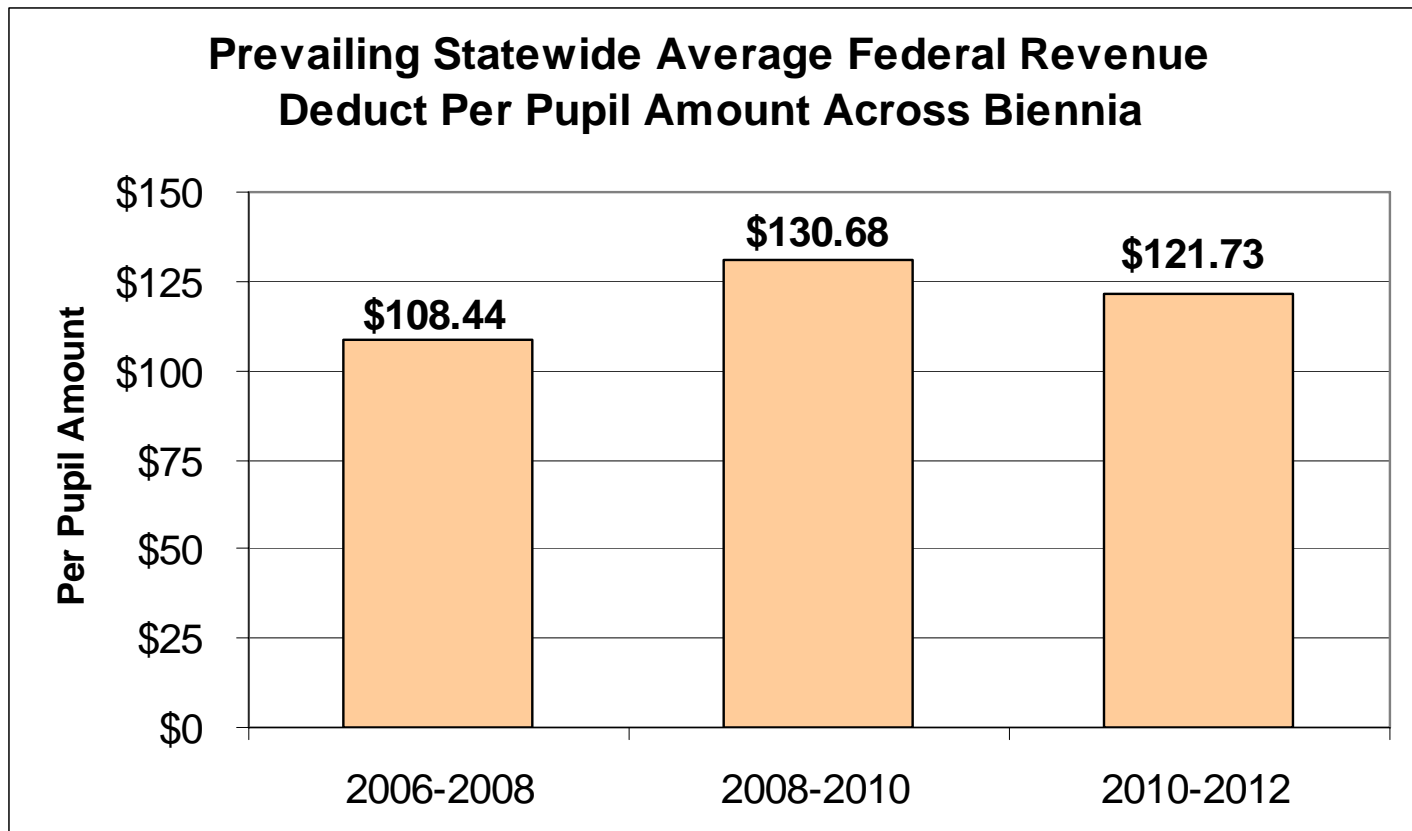
Funded SOQ Support Positions	UNCAPPED FY 2009	CAPPED FY 2010	CAPPED FY 2011	CAPPED FY 2012
Assistant Superintendent	292	183	175	176
Instructional Professional	3,474	2,175	2,138	2,152
Instructional Technical/Clerical	2,912	1,824	1,882	1,895
Attendance & Health Administrative	1,628	1,019	995	1,002
Attendance & Health Technical/Clerical	753	470	519	523
Operation & Maintenance Professional	428	269	251	252
Operation & Maintenance Technical/Clerical	14,305	8,957	8,689	8,746
Administration	859	538	587	590
Administration Technical/Clerical	2,486	1,556	1,513	1,524
Technology Professional	579	362	376	379
Technology Technical/Clerical	292	183	194	195
Technology Support Standard	1,208	1,219	1,211	1,221
School Based Clerical	6,479	4,056	3,652	3,675
Total Funded SOQ Support Positions	35,695	22,811	22,181	22,329

¹ For FY 2009, the prevailing number of support positions was not capped. Shown for comparative purposes.

² The instructional to support position ratio used for the support position funding cap was rebenchmarking for the 2010-2012 biennium. The ratio changed from 4.03 to 1 for FY 2010 to 4.05 to 1 for the 2010-2012 biennium. The ratio is calculated by taking a three-year average of divisions' ASR instructional positions divided by ASR support positions and then calculating a statewide linear weighted average (LWA) ratio from the division ratios. The LWA ratio is then applied to the generated number of support positions to cap them at the instructional to support ratio. This represents the rebenchmarking cost update and not a permanent change in policy.

Federal Revenue Deduct

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
14	Update Federal Revenue Deduct Per Pupil Amount	2,177,284	2,130,997	4,308,281



Inflation Factors

Step #	Rebenchmarking Step	FY 2011 Change	FY 2012 Change	2010-2012 Total
17	Update Nonpersonal Inflation Factors	8,078,551	8,048,194	16,126,745

2010-2012 Inflation Factors			
Applied to Nonpersonal Costs in SOQ Model for the 2010-2012 Biennium			
Inflation Factor	2008-10 Rates	2010-12 Rates	Variance
Operation & Maintenance:			
Utilities	3.34%	(6.43%)	(9.77%)
Communications	5.67%	2.39%	(3.28%)
Insurance	5.56%	0.61%	(4.95%)
Other	5.56%	0.61%	(4.95%)
Fixed Charges:			
Unemployment	5.56%	0.61%	(4.95%)
Workers Comp.	5.56%	0.61%	(4.95%)
Disability Insurance	5.56%	0.61%	(4.95%)
Other Benefits	5.56%	0.61%	(4.95%)
Instructional:			
Classroom Instruction	5.48%	0.36%	(5.12%)
Instructional Support	5.48%	0.31%	(5.17%)
Improvement	5.31%	(0.01%)	(5.32%)
Principal's Office	5.44%	0.26%	(5.18%)
Miscellaneous:			
Administration	5.40%	0.11%	(5.29%)
Attendance & Health	5.46%	0.34%	(5.12%)
Facilities	5.62%	2.73%	(2.89%)
Pupil Transportation	5.11%	(0.19%)	(5.30%)
Contingency Reserve	5.56%	0.61%	(4.95%)
Textbooks	5.56%	0.61%	(4.95%)
Health Care Premium	5.56%	4.96%	(0.60%)

2010-2012 Rebenchmarking Summary

Major Inputs that Decreased in Cost Compared to 2008-2010 Biennium:

- Funded Instructional Salaries
- Funded Support Salaries
- Special Education Child Counts
- Statewide Average SOL Failure Rate
- Inflation Factors
- Health Care Premium
- Textbook Expenditures

Major Inputs that Increased in Cost Compared to 2008-2010 Biennium:

- CTE Course Enrollment
- Enrollment Projections
- Free Lunch Eligibility
- Federal Revenue Deduct Per Pupil Amount
- Pupil Transportation

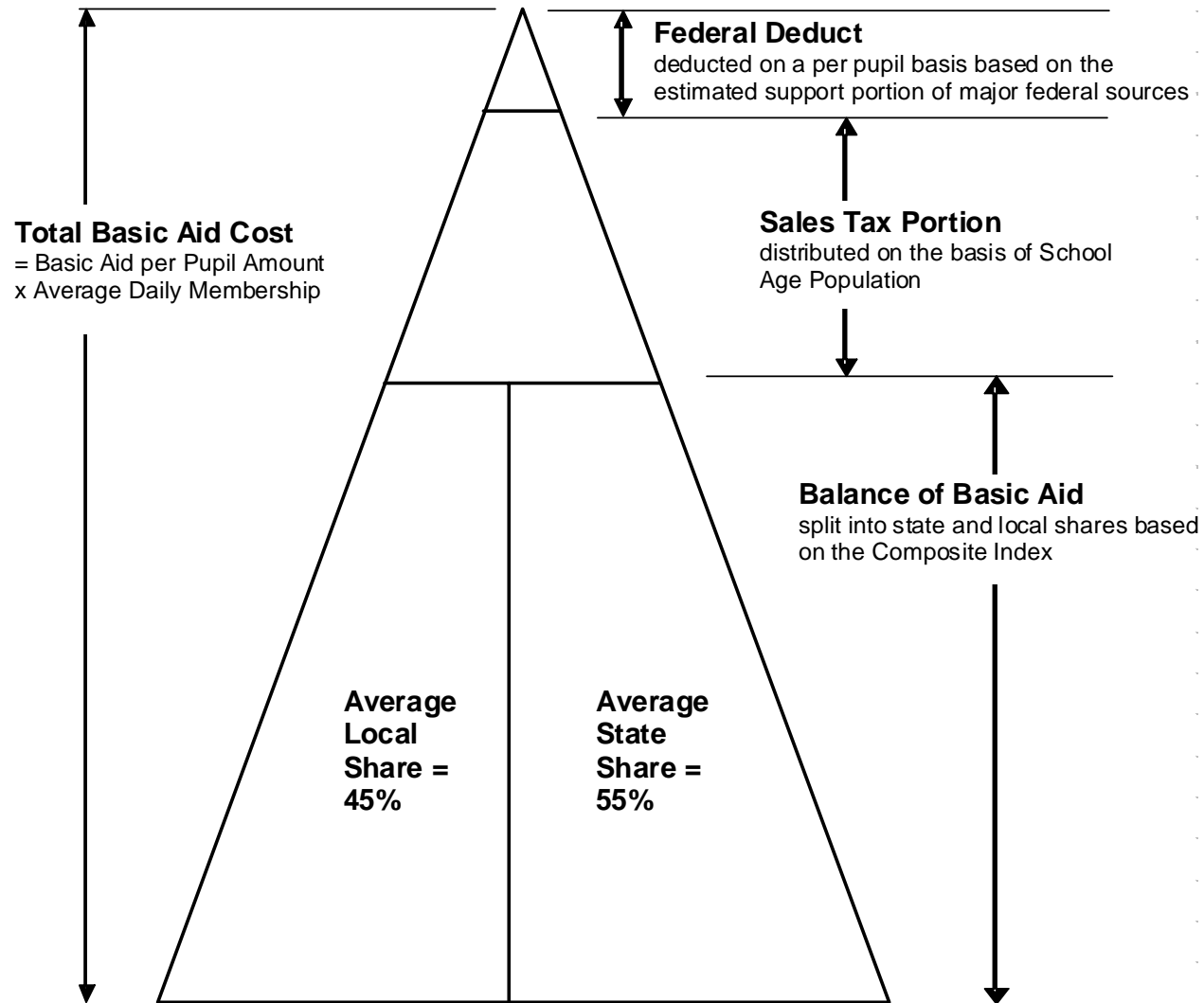
Section B: Review of the Federal Revenue Deduct Methodology

Background

- The purpose of the federal revenue deduct is to eliminate expenditures from the base fiscal year that were from federal revenues so they do not impact the rebenchmarked cost of SOQ Basic Aid.
- The 2004 General Assembly considered deducting 100% of federal funds from Basic Aid costs. This methodology was not approved largely on the basis that federal funds would not drive up SOQ instructional costs since those costs are determined by fixed staffing standards, not prevailing costs.
- The next slide depicts the federal revenue deduct in the Basic Aid funding formula.

State and Local Shares of Total Basic Aid

Federal deduct reduces the total cost of Basic Aid recognized for funding



Note: State and local shares will vary by locality based on each division's composite index

Calculation Methodology

- The federal revenue deduction is based on each school division's revenues received in the base fiscal year from the following six federal programs: Title I, IDEA (Special Education), Perkins (Career and Technical Education), Title IV-A (Safe and Drug Free Schools), Title V-A (Innovative Programs), and Title II-A (Improving Teacher Quality).
- These funding streams represent the majority of federal funding to school divisions, and most divisions receive funding from these streams.

Calculation Methodology

- Since capital funding is not included in the SOQ, the amount of each division's capital expenditures from federal funds is deducted from their federal revenues prior to calculating the division per pupil amounts. The resulting federal revenue is then divided by the division's base year ADM.
- The deduction from Basic Aid cost is based on the lower of each division's actual per pupil amount or the statewide prevailing per pupil amount (\$502.97 in Chapter 781). This provision means that no division has a per pupil reduction that is greater than the amount of federal revenue actually received by the division.

Calculation Methodology

- Support costs in Basic Aid are primarily based on prevailing costs and, therefore, would be impacted during rebenchmarking from federal funds expended in the base year for support positions and support non-personal costs.
- Approximately 30% of the total cost of the SOQ is for support costs, as determined by actual expenditures reported by local school divisions on the Annual School Report. Consequently, 30% of the federal revenue is assumed to have been spent to support those costs.
- Federal Deduct Per Pupil Amount =

Lower of Division or Prevailing Per Pupil Amount (x)
Support Cost Percentage (30.19% in Chapter 781)

Calculation Summary

- **Division Per Pupil Amount =**
(Total federal revenues for selected funding streams -
capital expenditures from federal funds)
÷ Base Year ADM

- **Federal Deduct Per Pupil Amount used in Basic Aid Formula =**
Lower of Division or Prevailing Per Pupil Amount (x)
Support Cost Percentage (30.19% in Chapter 781)

Example Calculation

Federal Revenues used for Deduct	\$1,214,538
(Less) Capital from Federal Funds	(\$308,217)
Net Federal Revenues	<u>\$906,321</u>
Divide by ADM:	1,415.64
Division Per Pupil Amount	<u>\$640.22</u>
Statewide Prevailing Per Pupil Amount	\$502.97
Lower of Division or Prevailing Average	<u>\$502.97</u>
Multiply by Support Cost Percentage	30.19%
Final Federal Deduct Per Pupil	<u><u>\$152.00</u></u>

**Section C:
Flexibility Provisions Included in
Chapter 781, 2009 Acts of
Assembly**

FY 2010 Flexibility Provisions

- **Listed on the next several slides are local flexibility provisions adopted in Chapter 781, including provisions recommended by the Board of Education related to flexibility in instructional position staffing. Other provisions adopted provide local fiscal flexibility.**

- 1. Provide flexibility in using existing funds to employ data coordinators, reading specialists, mathematics teacher specialists, and English language learner teachers.**
 - Use existing state/local funds for SOQ instructional technology resource teachers to employ instructional technology resource teachers, data coordinators, or blended position (1 per 1,000 staffing standard still must be met).
 - Use existing state/local Early Reading Intervention funds to employ reading specialists.
 - Use existing state/local SOL Algebra Readiness funds to employ mathematics teacher specialists.
 - Use existing state/local funds for SOQ Prevention, Intervention, and Remediation to employ additional English language learner teachers.
 - Divisions using funds in this manner are required to employ instructional personnel licensed by the Board of Education.

FY 2010 Flexibility Provisions

- **Preliminary survey data indicates the level school divisions are using the staffing flexibility provisions:**
 - **flexibility for Reading Specialists** - Over 96% of the responding school divisions employ reading specialists and approximately one third use Early Reading Intervention funding to cover the costs.
 - **flexibility for Mathematics Specialists** - Over 50% of the responding school divisions employ mathematics specialists and approximately 20% use SOL Algebra Readiness funding to cover the costs.

- 2. **Allow unspent FY09 state funds to be carried over to FY10**
 - Chapter 781 permits any locality who has met its FY09 required local effort for the SOQ or required local match for incentive, school construction, or Lottery-funded programs to carry over into FY10 any unspent state funds in an effort to minimize any FY10 revenue adjustments that may occur.
 - Chapter 781 also includes language encouraging localities to allow school boards to carry over any unspent local allocations into FY10, and encouraged localities to provide increased flexibility to school boards by appropriating state and local funds for public education in a lump sum.

FY 2010 Flexibility Provisions

3. Additional Support for School Construction and Operating Costs

- In fiscal year 2010, school divisions have the option of using Lottery funds from the Additional Support for School Construction and Operating Costs account for any public education expenditure. In previous years, use of the funds by school divisions was limited to no more than 50 percent for recurring costs and at least 50 percent spent on nonrecurring expenditures.
- School divisions are not required to provide a local match for these funds in fiscal year 2010.

4. Use of Lottery and School Construction escrow funds in FY10

- Chapter 781 permits divisions to withdraw funds from local escrow accounts established pursuant to §22.1-100.1 (Lottery Proceeds Nonrecurring Costs Escrow Accounts) and §22.1-175.5 (Capital School Projects Fund) to pay for recurring operational expenses in FY10.
- Localities are not required to provide a local match of the withdrawn funds.

FY 2010 Flexibility Provisions

5. Textbook Funding

- For FY 2010, school divisions are allowed to use textbook funds for any public education expense. Divisions are not required to match the state funds with local matching funds in fiscal year 2010.

6. Support Position Cap

- Allows divisions discretion in determining where reductions may be made at the local level to accommodate the support position cap, providing divisions still meet the staffing requirements of the Standards of Quality.

Appendices

- **Appendix A:** Comparison of Lottery Funded Accounts for 2010-12 Rebenchmarking vs. 2008-10
- **Appendix B:** Rebenchmarking Updates to Direct Aid Accounts for 2010-2012
- **Appendix C:** Composite Index of Local Ability-to-Pay Formula

Appendix A: Comparison of Lottery Funded Accounts for 2010- 2012 Rebenchmarking vs. 2008-2010

Program	2008-2010 Rebenchmarking		2010-2012 Rebenchmarking	
	Incremental Cost	Service Area	Incremental Cost	Service Area
Foster Care	\$284,637	Categorical	\$2,865,489	Lottery
Enrollment Loss	\$1,605,366	Incentive	\$748,955	Lottery
At-Risk	\$14,331,894	Incentive	\$21,508,425	Lottery
Virginia Preschool Initiative	\$37,092,512	Incentive	\$14,287,963	Lottery
Early Reading Intervention	\$3,674,754	Incentive	(\$156,880)	Lottery
Mentor Teacher	\$0	Incentive	\$0	Lottery
K-3 Primary Class Size Reduction	\$18,254,558	Incentive	\$14,631,057	Lottery
School Breakfast	\$1,534,060	Incentive	\$981,377	Lottery
SOL Algebra Readiness	\$2,026,082	Incentive	\$927,233	Lottery
Additional Support for School Construction & Operating Costs	\$0	School Facilities	(\$72,140,133)	Lottery
Alternative Education	\$90,923	Incentive	\$89,731	Lottery
ISAEP	\$0	Incentive	\$0	Lottery
Special Education - Regional Tuition	\$10,488,175	Incentive	\$16,239,761	Lottery
Vocational Education - Categorical	\$0	Categorical	\$0	Lottery
No Child Left Behind/ Education for a Lifetime	\$0	Incentive	\$0	Lottery
Project Graduation	\$0	Incentive	\$0	Lottery
Supplemental Basic Aid	\$129,616	Incentive	\$17,022	Lottery
Totals	\$89,512,577		\$0	

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area I							
SOQ Accounts	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Basic Aid	\$3,120,359,684	\$3,217,840,228	\$97,480,544	\$3,120,359,684	\$3,228,959,712	\$108,600,028	\$206,080,572
Sales Tax	\$1,135,200,000	\$1,135,200,000	\$0	\$1,135,200,000	\$1,135,200,000	\$0	\$0
Textbooks	\$79,314,230	\$51,008,814	(\$28,305,416)	\$79,314,230	\$51,150,265	(\$28,163,965)	(\$56,469,381)
Vocational Education	\$66,449,807	\$67,230,905	\$781,098	\$66,449,807	\$67,207,727	\$757,920	\$1,539,018
Gifted Education	\$30,826,115	\$30,725,513	(\$100,602)	\$30,826,115	\$30,829,725	\$3,610	(\$96,992)
Special Education	\$371,802,769	\$360,317,864	(\$11,484,905)	\$371,802,769	\$360,802,712	(\$11,000,057)	(\$22,484,962)
Prevention, Intervention and Remediation	\$69,143,636	\$69,791,038	\$647,402	\$69,143,636	\$69,583,481	\$439,845	\$1,087,247
VRS Retirement	\$226,574,274	\$225,006,748	(\$1,567,526)	\$226,574,274	\$225,564,382	(\$1,009,892)	(\$2,577,418)
Social Security	\$175,963,239	\$174,694,933	(\$1,268,306)	\$175,963,239	\$175,100,095	(\$863,144)	(\$2,131,450)
Group Life	\$6,233,115	\$6,169,646	(\$63,469)	\$6,233,115	\$6,185,682	(\$47,433)	(\$110,902)
English as a Second Language	\$38,885,716	\$41,857,635	\$2,971,919	\$38,885,716	\$44,977,975	\$6,092,259	\$9,064,178
Remedial Summer School	\$28,347,411	\$28,392,378	\$44,967	\$28,347,411	\$28,893,222	\$545,811	\$590,778
Group I SUB-TOTAL:	\$5,349,099,996	\$5,408,235,702	\$59,135,706	\$5,349,099,996	\$5,424,454,978	\$75,354,982	\$134,490,688

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area II							
Incentive Accounts	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Compensation Supplements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governor's Schools	\$14,161,347	\$14,856,517	\$695,170	\$14,161,347	\$15,207,107	\$1,045,760	\$1,740,930
Clinical Faculty	\$375,000	\$375,000	\$0	\$375,000	\$375,000	\$0	\$0
Career Switcher Mentoring Grants	\$329,392	\$329,392	\$0	\$329,392	\$329,392	\$0	\$0
Special Education - Inservice	\$600,000	\$600,000	\$0	\$600,000	\$600,000	\$0	\$0
Special Education - Vocational Education	\$200,089	\$200,089	\$0	\$200,089	\$200,089	\$0	\$0
Group II SUB-TOTAL:	\$15,665,828	\$16,360,998	\$695,170	\$15,665,828	\$16,711,588	\$1,045,760	\$1,740,930

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area III							
Categorical Accounts	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Adult Education	\$1,051,800	\$1,051,800	\$0	\$1,051,800	\$1,051,800	\$0	\$0
Adult Literacy	\$2,652,500	\$2,652,500	\$0	\$2,652,500	\$2,652,500	\$0	\$0
Virtual Virginia	\$2,256,908	\$2,256,908	\$0	\$2,256,908	\$2,256,908	\$0	\$0
Indian Children	\$73,514	\$75,669	\$2,155	\$73,514	\$77,348	\$3,834	\$5,989
School Lunch	\$5,801,932	\$5,801,932	\$0	\$5,801,932	\$5,801,932	\$0	\$0
Special Education - Homebound	\$5,597,006	\$5,754,052	\$157,046	\$5,597,006	\$6,020,785	\$423,779	\$580,825
Special Education - Jails	\$3,517,152	\$3,698,491	\$181,339	\$3,517,152	\$4,065,031	\$547,879	\$729,218
Special Education - State Operated Programs	\$34,608,262	\$34,172,445	(\$435,817)	\$34,608,262	\$36,140,837	\$1,532,575	\$1,096,758
Group III SUB-TOTAL:	\$55,559,074	\$55,463,797	(\$95,277)	\$55,559,074	\$58,067,141	\$2,508,067	\$2,412,790

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area IV							
Lottery Funded Accounts	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Foster Care	\$12,614,070	\$13,530,154	\$916,084	\$12,614,070	\$14,563,475	\$1,949,405	\$2,865,489
Enrollment Loss	\$11,389,914	\$12,137,974	\$748,060	\$11,389,914	\$11,390,809	\$895	\$748,955
At-Risk	\$60,942,727	\$71,955,115	\$11,012,388	\$60,942,727	\$71,438,764	\$10,496,037	\$21,508,425
Virginia Preschool Initiative	\$68,761,162	\$75,529,020	\$6,767,858	\$68,761,162	\$76,281,267	\$7,520,105	\$14,287,963
Early Reading Intervention	\$14,600,277	\$14,507,033	(\$93,244)	\$14,600,277	\$14,536,641	(\$63,636)	(\$156,880)
Mentor Teacher	\$1,000,000	\$1,000,000	\$0	\$1,000,000	\$1,000,000	\$0	\$0
K-3 Class Size Reduction	\$91,703,847	\$99,221,712	\$7,517,865	\$91,703,847	\$98,817,039	\$7,113,192	\$14,631,057
School Breakfast Program	\$2,085,617	\$2,396,924	\$311,307	\$2,085,617	\$2,755,687	\$670,070	\$981,377
SOL Algebra Readiness	\$8,769,321	\$9,236,299	\$466,978	\$8,769,321	\$9,229,576	\$460,255	\$927,233

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area IV							
Lottery Funded Accounts (continued)	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Additional Support for School Construction & Operating Costs	\$60,815,976	\$28,235,737	(\$32,580,239)	\$60,815,976	\$21,256,082	(\$39,559,894)	(\$72,140,133)
Regional Alternative Education	\$7,293,262	\$7,337,754	\$44,492	\$7,293,262	\$7,338,501	\$45,239	\$89,731
ISAEF	\$2,247,581	\$2,247,581	\$0	\$2,247,581	\$2,247,581	\$0	\$0
Special Education - Regional Tuition	\$69,499,410	\$74,364,384	\$4,864,974	\$69,499,410	\$80,874,197	\$11,374,787	\$16,239,761
Vocational Education - Categorical	\$10,400,829	\$10,400,829	\$0	\$10,400,829	\$10,400,829	\$0	\$0
NCLB/Education for a Lifetime	\$4,749,675	\$4,749,675	\$0	\$4,749,675	\$4,749,675	\$0	\$0
Project Graduation	\$2,774,478	\$2,774,478	\$0	\$2,774,478	\$2,774,478	\$0	\$0
Supplemental Basic Aid	\$551,854	\$575,331	\$23,477	\$551,854	\$545,399	(\$6,455)	\$17,022
Group IV SUB-TOTAL:	\$430,200,000	\$430,200,000	\$0	\$430,200,000	\$430,200,000	\$0	\$0

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

Service Area V							
Supplemental Education	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Career and Technical Education Resource Center	\$291,790	\$291,790	\$0	\$291,790	\$291,790	\$0	\$0
Jobs for Virginia Graduates	\$439,737	\$439,737	\$0	\$439,737	\$439,737	\$0	\$0
Project Discovery	\$900,000	\$900,000	\$0	\$900,000	\$900,000	\$0	\$0
Small School Division Assistance	\$145,896	\$145,896	\$0	\$145,896	\$145,896	\$0	\$0
Southside Virginia Regional Technology Consortium	\$69,300	\$69,300	\$0	\$69,300	\$69,300	\$0	\$0
Southwest Education Consortium	\$145,895	\$145,895	\$0	\$145,895	\$145,895	\$0	\$0
VA Career Education Foundation	\$36,474	\$36,474	\$0	\$36,474	\$36,474	\$0	\$0
Van Gogh Outreach Program	\$84,528	\$84,528	\$0	\$84,528	\$84,528	\$0	\$0
National Board Certification Teacher Bonuses	\$4,470,000	\$4,470,000	\$0	\$4,470,000	\$4,470,000	\$0	\$0
Virginia Teaching Scholarship Loan Program	\$708,000	\$708,000	\$0	\$708,000	\$708,000	\$0	\$0
Greater Richmond Area Scholarship Program (GRASP)	\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0	\$0
Group V SUB-TOTAL:	\$7,541,620	\$7,541,620	\$0	\$7,541,620	\$7,541,620	\$0	\$0

Appendix B: Rebenchmarking Updates to Direct Aid Accounts for 2010-2012

All Direct Aid Accounts	FY 2010 Base State Cost (Chapter 781)	FY 2011 Updated State Cost	Variance	FY 2010 Base State Cost (Chapter 781)	FY 2012 Updated State Cost	Variance	2010-2012 Biennium Variance
Total - SOQ	\$5,349,099,996	\$5,408,235,702	\$59,135,706	\$5,349,099,996	\$5,424,454,978	\$75,354,982	\$134,490,688
Total - Incentive	\$15,665,828	\$16,360,998	\$695,170	\$15,665,828	\$16,711,588	\$1,045,760	\$1,740,930
Total - Categorical	\$55,559,074	\$55,463,797	(\$95,277)	\$55,559,074	\$58,067,141	\$2,508,067	\$2,412,790
Total - Lottery	\$430,200,000	\$430,200,000	\$0	\$430,200,000	\$430,200,000	\$0	\$0
Total - Supplemental	\$7,541,620	\$7,541,620	\$0	\$7,541,620	\$7,541,620	\$0	\$0
TOTAL COST <i>(Service Areas I - V):</i>	\$5,858,066,518	\$5,917,802,117	\$59,735,599	\$5,858,066,518	\$5,936,975,327	\$78,908,809	\$138,644,408

Appendix C: Composite Index of Local Ability-to-Pay Formula

ADM Component =

$$.5 \left[\frac{\frac{\text{Local True Value of Property}}{\text{Local ADM}}}{\frac{\text{State True Value of Property}}{\text{State ADM}}} \right] + .4 \left[\frac{\frac{\text{Local Adjusted Gross Income}}{\text{Local ADM}}}{\frac{\text{State Adjusted Gross Income}}{\text{State ADM}}} \right] + .1 \left[\frac{\frac{\text{Local Taxable Retail Sales}}{\text{Local ADM}}}{\frac{\text{State Taxable Retail Sales}}{\text{State ADM}}} \right]$$

Population Component =

$$.5 \left[\frac{\frac{\text{Local True Value of Property}}{\text{Local Population}}}{\frac{\text{State True Value of Property}}{\text{State Population}}} \right] + .4 \left[\frac{\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}}}{\frac{\text{State Adjusted Gross Income}}{\text{State Population}}} \right] + .1 \left[\frac{\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}}}{\frac{\text{State Taxable Retail Sales}}{\text{State Population}}} \right]$$

Local Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45 \text{ (average local share)}$$