



# COMMONWEALTH of VIRGINIA

*Department of Planning and Budget*

DANIEL S. TIMBERLAKE  
Director

1111 E. Broad Street  
Room 5040  
Richmond, VA 23219-1922

November 13, 2009

The Honorable Charles J. Colgan, Sr.  
Chairman, Senate Finance Committee  
General Assembly Building, Room 626  
Richmond, Virginia 23219

The Honorable Lacey E. Putney  
Chairman, House Appropriations Committee  
General Assembly Building, Room 947  
Richmond, Virginia 23219

Dear Messrs. Chairmen:

In accordance with Item 140 B.14, Chapter 781, 2009 Acts of Assembly, I have enclosed the report providing an update on Standards of Quality expenditures based upon the most current data available.

This report includes detail adjustments for fiscal year 2010 and the 2010-2012 biennium. These adjustments include: updates for rebenchmarking, Composite Index, and the most recent sales tax estimates (based on the August 2009 interim revenue forecast).

This report does not include the impact of updates to fall membership, average daily membership, and Lottery revenue estimates for fiscal years 2010, 2011 and 2012. The Department of Education has not yet completed its work in collecting, analyzing, and verifying data submissions for these components and determining the impact of each on the total cost of public education.

Sincerely,

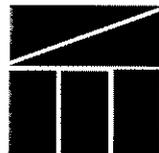
A handwritten signature in black ink, appearing to read "D. S. Timberlake", written over a faint circular stamp.

Daniel S. Timberlake

Enclosure

c: Robert Vaughn, Staff Director, House Appropriations Committee  
Betsey Daley, Staff Director, Senate Finance Committee

*Annual Report  
to the General Assembly on the  
Updates to the Standards of Quality*



Virginia Department of Planning and Budget  
November 15, 2009

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## Overview

In accordance with Chapter 781, 2009 Acts of Assembly, the Department of Planning and Budget (DPB) in coordination with the Department of Education (DOE) has prepared the annual report on the update to the Standards of Quality (SOQ), based upon the most current data available. This report includes technical updates to the SOQ accounts that are calculated on an annual basis as well as biennial updates associated with the rebenchmarking process. Enrollment updates are not included in this report because the data submitted by school divisions are still being verified by DOE at the time of this publication.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality in fiscal year 2010 and the 2010-2012 biennium:

- Updates for the Rebenchmarking process approved by the Board of Education
- Update of the Composite Index for the 2010-2012 biennium
- Update of the Sales Tax estimate for public education (based on the August 2009 interim revenue forecast)

The following table details the expenditure impact of these updates to the Standards of Quality for fiscal year 2010 and the 2010-2012 biennium:

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Chapter 781 Base	\$5,349.1 million	\$5,349.1 million	\$5,349.1 million
Updates for 2010-2012 Rebenchmarking Process with the Support Positions Funding Ratio (General Fund Cost)	N/A	\$59.7 million	\$78.9 million
Update for the 2010-2012 Composite Index (General Fund Cost)	N/A	\$32.7 million	\$39.0 million
Update Sales Tax Revenue Estimate for Public Education (Net General Fund Savings based on the August 2009 interim revenue forecast)	(\$37.6 million)	(\$40.6 million)	(\$25.1 million)
Total Estimated Cost With Support Ratio	\$5,311.5 million	\$5,400.9 million	\$5,441.9 million
Additional Costs Associated With the Elimination of Support Ratio	N/A	\$376.1 million	\$378.2 million
Revised Total Estimated Cost Without Support Ratio	\$5,311.5 million	\$5,777.0 million	\$5,820.1 million

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## Details

Pursuant to the Code of Virginia and Chapter 781, 2009 Acts of Assembly, the Department of Education calculated the cost of rebenchmarking the Standards of Quality for fiscal year 2010 and the 2010-2012 biennium. This process involves technical updates only using the current methodology; it does not reflect the impact of any policy changes. Factors updated for the 2010 biennium include: enrollment projections, inflation factors, funded salaries, and transportation costs. DOE was required to calculate the cost of rebenchmarking with and without the support position funding ratio adopted by the 2009 General Assembly for fiscal year 2010. See Appendix A for a detailed list of rebenchmarking updates.

DOE has also recalculated the Composite Index for Local Ability-to-Pay for the 2010-2012 biennium for each division using data from the Department of Taxation. This calculation updates data from tax year 2005 to tax year 2007 for Adjusted Gross Income, True Value of Property, and Taxable Retail Sales. Additionally, the March 31 Average Daily Membership has been updated from the base year of 2006 to 2008 and population estimates from the Weldon Cooper Center for Public Service at the University of Virginia were updated from the base year of 2005 to 2007. See Appendix B for Composite Index values by school division for the 2010-2012 biennium as well as a comparison to the 2008-2010 values.

Finally, the sales tax revenue estimates for fiscal year 2010 and the 2010-2012 biennium have also been updated based on the latest projections by the Department of Taxation in the August 2009 Interim Forecast. The estimated sales tax revenues dedicated to public education are \$1,049.9 million for fiscal year 2010. This amount reflects a decrease in projected sales tax revenue of \$85.3 million compared to the estimates used to develop Chapter 781 for fiscal year 2010.

The estimated sales tax revenues are \$1,043.0 million for fiscal year 2011 and \$1,078.3 million for fiscal year 2012. These amounts reflect decreases in projected sales tax revenue of \$92.2 million in fiscal year 2011 and \$56.9 million in fiscal year 2012 compared to the estimates included in Chapter 781 for fiscal year 2010. The sales tax impact listed on the prior page represents the net change in cost after taking into account the increased state support needed for basic aid.

## Appendix A: 2010-2012 Rebenchmarking Increments

<b>2010-2012 Rebenchmarking Increments from Base Year FY 2010</b>				
<i>(Direct Aid Appropriation Tracking - State shares only)</i>				
Action #	Action	FY 2011	FY 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 Projections	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 and Technical Education Child Count 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 Funded 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
9	Update Textbook Per Pupil Amount (without inflation)	(25,199,060)	(25,268,045)	(50,468,005)
10	Reset Nonpersonal Support 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 (Ratio of Instructional to Support Positions)	(12,452,565)	(12,886,798)	(25,339,363)
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 Division Superintendents, School Boards, and School Nurses (without 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 (No Change)	0	0	0
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	Remove Compensation Supplement	N/A	N/A	N/A
22	Update Appropriation Amounts to Match DOE Calculations	N/A	N/A	N/A
23	Update Incentive Accounts	695,170	1,045,760	1,740,930
24	Update Categorical Accounts	(95,277)	2,508,067	2,412,790
25	Update K-3 Primary Class Size Entitlements	Included in Update to Lottery Funded Accounts		
26	Update Lottery Funded Accounts	0	0	0
27	Remove One-time Funding from Supplemental Education	0	0	0
<b>Total Rebenchmarking Cost (<i>with</i> support cap)</b>		<b>\$59,735,599</b>	<b>\$78,908,809</b>	<b>\$138,644,408</b>
29	Remove Support Positions Funding Cap	\$376,075,632	\$378,226,051	\$754,301,683
<b>Total Rebenchmarking Cost (<i>without</i> support cap)</b>		<b>\$435,811,231</b>	<b>\$457,134,860</b>	<b>\$892,946,091</b>

**Appendix B:  
2010-2012 Composite Index of Local Ability-to-Pay**

<b>Division #</b>	<b>Division</b>	<b>2010-2012 Composite Index</b>	<b>2008-2010 Composite Index</b>	<b>Variance</b>
001	ACCOMACK	.3753	.3752	0.0001
002	ALBEMARLE	.6872	.6232	0.0640
003	ALLEGHANY	.2151	.2210	(0.0059)
004	AMELIA	.3472	.3206	0.0266
005	AMHERST	.2664	.2642	0.0022
006	APPOMATTOX	.2732	.2436	0.0296
007	ARLINGTON	.8000	.8000	0.0000
008	AUGUSTA	.3416	.3299	0.0117
009	BATH	.8000	.8000	0.0000
010	BEDFORD COUNTY	.4076	.3494	0.0582
011	BLAND	.2724	.2608	0.0116
012	BOTETOURT	.3682	.3606	0.0076
013	BRUNSWICK	.2728	.2616	0.0112
014	BUCHANAN	.2849	.2824	0.0025
015	BUCKINGHAM	.2738	.2414	0.0324
016	CAMPBELL	.2491	.2340	0.0151
017	CAROLINE	.3580	.3817	(0.0237)
018	CARROLL	.2573	.2470	0.0103
019	CHARLES CITY	.4203	.4162	0.0041
020	CHARLOTTE	.2289	.2017	0.0272
021	CHESTERFIELD	.3551	.3447	0.0104
022	CLARKE	.5346	.6112	(0.0766)
023	CRAIG	.2903	.2790	0.0113
024	CULPEPER	.4168	.4340	(0.0172)
025	CUMBERLAND	.2805	.2601	0.0204
026	DICKENSON	.1940	.1957	(0.0017)
027	DINWIDDIE	.2566	.2462	0.0104
028	ESSEX	.4869	.4071	0.0798

<b>Division #</b>	<b>Division</b>	<b><u>2010-2012</u> Composite Index</b>	<b><u>2008-2010</u> Composite Index</b>	<b>Variance</b>
029	FAIRFAX COUNTY	.7126	.7650	(0.0524)
030	FAUQUIER	.6098	.6711	(0.0613)
031	FLOYD	.3470	.3234	0.0236
032	FLUVANNA	.3867	.3685	0.0182
033	FRANKLIN COUNTY	.4012	.3885	0.0127
034	FREDERICK	.3816	.4119	(0.0303)
035	GILES	.2649	.2571	0.0078
036	GLOUCESTER	.3704	.3456	0.0248
037	GOOCHLAND	.8000	.8000	0.0000
038	GRAYSON	.3178	.2607	0.0571
039	GREENE	.3500	.3224	0.0276
040	GREENSVILLE	.1998	.1895	0.0103
041	HALIFAX	.2748	.2380	0.0368
042	HANOVER	.4195	.4118	0.0077
043	HENRICO	.4371	.4319	0.0052
044	HENRY	.2315	.2304	0.0011
045	HIGHLAND	.7846	.6774	0.1072
046	ISLE OF WIGHT	.3926	.3697	0.0229
047	JAMES CITY	.5668	.5286	0.0382
048	KING GEORGE	.3875	.4075	(0.0200)
049	KING AND QUEEN	.4404	.3868	0.0536
050	KING WILLIAM	.3291	.2918	0.0373
051	LANCASTER	.8000	.7824	0.0176
052	LEE	.1692	.1552	0.0140
053	LOUDOUN	.5854	.6708	(0.0854)
054	LOUISA	.5393	.5396	(0.0003)
055	LUNENBURG	.2308	.2132	0.0176
056	MADISON	.5205	.4878	0.0327
057	MATHEWS	.5883	.5337	0.0546
058	MECKLENBURG	.3315	.2848	0.0467
059	MIDDLESEX	.7431	.6777	0.0654
060	MONTGOMERY	.3550	.3496	0.0054

<b>Division #</b>	<b>Division</b>	<b><u>2010-2012</u> Composite Index</b>	<b><u>2008-2010</u> Composite Index</b>	<b>Variance</b>
062	NELSON	.5734	.5708	0.0026
063	NEW KENT	.4312	.4066	0.0246
065	NORTHAMPTON	.5109	.5482	(0.0373)
066	NORTHUMBERLAND	.8000	.7306	0.0694
067	NOTTOWAY	.2547	.2221	0.0326
068	ORANGE	.4258	.4395	(0.0137)
069	PAGE	.3181	.3263	(0.0082)
070	PATRICK	.2439	.2392	0.0047
071	PITTSYLVANIA	.2401	.2245	0.0156
072	POWHATAN	.3969	.3790	0.0179
073	PRINCE EDWARD	.3043	.2733	0.0310
074	PRINCE GEORGE	.2345	.2173	0.0172
075	PRINCE WILLIAM	.4036	.4437	(0.0401)
077	PULASKI	.2870	.2730	0.0140
078	RAPPAHANNOCK	.8000	.8000	0.0000
079	RICHMOND COUNTY	.3562	.3384	0.0178
080	ROANOKE COUNTY	.3460	.3349	0.0111
081	ROCKBRIDGE	.5050	.4728	0.0322
082	ROCKINGHAM	.3489	.3204	0.0285
083	RUSSELL	.2113	.2079	0.0034
084	SCOTT	.1821	.1849	(0.0028)
085	SHENANDOAH	.4030	.4056	(0.0026)
086	SMYTH	.2100	.2023	0.0077
087	SOUTHAMPTON	.2896	.2578	0.0318
088	SPOTSYLVANIA	.3594	.3695	(0.0101)
089	STAFFORD	.3362	.3629	(0.0267)
090	SURRY	.6956	.6641	0.0315
091	SUSSEX	.3213	.2799	0.0414
092	TAZEWELL	.2487	.2318	0.0169
093	WARREN	.4204	.4285	(0.0081)
094	WASHINGTON	.3166	.3340	(0.0174)
095	WESTMORELAND	.5020	.5167	(0.0147)

<b>Division #</b>	<b>Division</b>	<b><u>2010-2012</u> Composite Index</b>	<b><u>2008-2010</u> Composite Index</b>	<b>Variance</b>
096	WISE	.1885	.1798	0.0087
097	WYTHE	.3142	.2929	0.0213
098	YORK	.3727	.3632	0.0095
101	ALEXANDRIA	.8000	.8000	0.0000
102	BRISTOL	.3132	.3664	(0.0532)
103	BUENA VISTA	.1932	.1924	0.0008
104	CHARLOTTESVILLE	.6560	.6091	0.0469
106	COLONIAL HEIGHTS	.4428	.4289	0.0139
107	COVINGTON	.2597	.3051	(0.0454)
108	DANVILLE	.2470	.2394	0.0076
109	FALLS CHURCH	.8000	.8000	0.0000
110	FREDERICKSBURG	.7763	.7943	(0.0180)
111	GALAX	.2695	.2618	0.0077
112	HAMPTON	.2690	.2358	0.0332
113	HARRISONBURG	.4133	.4099	0.0034
114	HOPEWELL	.2285	.2236	0.0049
115	LYNCHBURG	.3643	.3327	0.0316
116	MARTINSVILLE	.2263	.2249	0.0014
117	NEWPORT NEWS	.2778	.2531	0.0247
118	NORFOLK	.3004	.2588	0.0416
119	NORTON	.3042	.3095	(0.0053)
120	PETERSBURG	.2255	.2008	0.0247
121	PORTSMOUTH	.2497	.2112	0.0385
122	RADFORD	.3251	.2837	0.0414
123	RICHMOND CITY	.4945	.4272	0.0673
124	ROANOKE CITY	.3582	.3420	0.0162
126	STAUNTON	.4024	.3849	0.0175
127	SUFFOLK	.3433	.2983	0.0450
128	VIRGINIA BEACH	.4060	.3704	0.0356
130	WAYNESBORO	.3609	.3330	0.0279
131	WILLIAMSBURG	.8000	.8000	0.0000
132	WINCHESTER	.5125	.5382	(0.0257)

<b>Division #</b>	<b>Division</b>	<b><u>2010-2012</u> Composite Index</b>	<b><u>2008-2010</u> Composite Index</b>	<b>Variance</b>
134	FAIRFAX CITY	.8000	.8000	0.0000
135	FRANKLIN CITY	.3047	.2686	0.0361
136	CHESAPEAKE	.3465	.3025	0.0440
137	LEXINGTON	.4601	.4040	0.0561
138	EMPORIA	.2602	.2573	0.0029
139	SALEM	.3516	.3518	(0.0002)
140	BEDFORD CITY	.2970	.2802	0.0168
142	POQUOSON	.3524	.3190	0.0334
143	MANASSAS	.4005	.4618	(0.0613)
144	MANASSAS PARK	.3311	.3840	(0.0529)
202	COLONIAL BEACH	.3785	.4154	(0.0369)
207	WEST POINT	.2668	.2418	0.0250