



COMMONWEALTH of VIRGINIA

Department of Planning and Budget

DANIEL S. TIMBERLAKE
Director

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

November 15, 2011

The Honorable Charles J. Colgan, Sr.
Chairman, Senate Finance Committee
General Assembly Building
P.O. Box 396
Richmond, Virginia 23218

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee
General Assembly Building
P.O. Box 406
Richmond, Virginia 23218

Dear Messrs. Chairmen:

In accordance with Item 132, Paragraph B.14, Chapter 890, 2011 Acts of Assembly, I have enclosed the report providing an update on Standards of Quality (SOQ) expenditures based upon the most current data available.

This report includes three types of updates to SOQ funding for the 2012-2014 biennium: (1) technical updates completed as part of the rebenchmarking process and submitted by the Department of Education to the Board of Education in July 2011; (2) update of the Composite Index of Local Ability-to-Pay for each school division; and (3) update of employer contribution rates for fringe benefits based on the Virginia Retirement System (VRS) board-certified rates adopted on October 20, 2011. In total, these updates result in additional state costs for public education of \$524.2 million in fiscal year 2013 and \$554.9 million in fiscal year 2014.

This report does not include the impact of updates to fall membership, average daily membership, and participation rates for incentive and categorical programs for the 2012-2014 biennium. The Department of Education has not yet completed its work in collecting, analyzing, and verifying data submissions for these components and determining the impact on the cost of the Standards of Quality. It also does not include revisions to the sales tax revenue dedicated to public education. The final sales tax changes will depend upon the actions and recommendations of the Governor's Advisory Council on Revenue Estimates (GACRE), which will not meet until November 22, 2011. Your respective staffs have been briefed on the information contained in this report.

I hope you find this information useful.

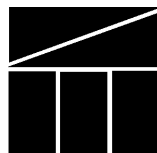
Sincerely,

Daniel S. Timberlake

Enclosure

c: The Honorable Richard D. Brown, Secretary of Finance
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, 2011**

Overview

In accordance with Chapter 890, 2011 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. This report also does not include revisions to the sales tax revenues dedicated to public education. These revenue estimates will not be available until after the Governor's Advisory Council on Revenue Estimates (GACRE) meets on November 22, 2011.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality in the 2012-2014 biennium:

- Updates for the SOQ rebenchmarking process, as approved by the Board of Education;
- Update of the Composite Index of Local Ability-to-Pay for the 2012-2014 biennium; and
- Update of fringe benefits contribution rates for funded positions in the SOQ model based on Virginia Retirement System (VRS) board-certified rates.

The following table details the expenditure impact of these updates to the Standards of Quality for the 2012-2014 biennium:

	<u>FY 2013</u>	<u>FY 2014</u>
Chapter 890 base (general fund only)	\$4,951.8 million	\$4,951.8 million
Updates for the 2012-2014 SOQ rebenchmarking process (as approved by the Board of Education)	\$145.6 million	\$173.1 million
Update Composite Index for the 2012-2014 biennium	\$42.7 million	\$45.0 million
Update funded retirement contribution rate based on the VRS board-certified rate of 16.77 percent	\$289.7 million	\$290.6 million
Update funded retiree health care credit contribution rate based on the VRS board-certified rate of 1.17 percent	\$15.8 million	\$15.8 million
Update funded group life contribution rate based on the VRS board-certified rate of 1.32 percent	\$30.4 million	\$30.4 million
Revised total estimated cost	\$5,476.0 million	\$5,506.7 million

Details

Pursuant to the *Code of Virginia* and Chapter 890, 2011 Acts of Assembly, the Department of Education calculated the cost of rebenchmarking the Standards of Quality for the 2012-2014 biennium. This process involves technical updates using the current methodology; it does not reflect the impact of any policy changes. Factors updated for the 2012-2014 biennium include: enrollment projections, inflation factors, funded salaries, and transportation costs. A detailed listing of the updates made as part of the rebenchmarking process is included in Appendix A of this report.

DOE also has recalculated the Composite Index of Local Ability-to-Pay for the 2012-2014 biennium for each division using data from the Department of Taxation. This calculation updates data from tax year 2007 to tax year 2009 for Adjusted Gross Income, True Value of Real Property, and Taxable Retail Sales. Additionally, the March 31 Average Daily Membership (ADM) child count has been updated from base year 2008 to 2010 and population estimates from the Weldon Cooper Center for Public Service at the University of Virginia were updated from base year 2007 to 2009. Appendix B of this report contains the Composite Index values by school division for the 2012-2014 biennium, as well as a comparison to the 2010-2012 biennium values.

Furthermore, the fringe benefits contribution rates for retirement, retiree health care credit, and group life have been updated based on the respective VRS board-certified rates for the 2012-2014 biennium. The following chart provides a comparison of the rates for the 2012-2014 biennium to those currently funded in fiscal year 2012:

<u>Fringe Benefit</u>	<u>FY 2012</u>	<u>2012-2014 Biennium</u>
VRS (Retirement)	6.33%	16.77%
Retiree Health Care Credit	0.60%	1.17%
Group Life	0.28%	1.32%

Appendix A:

2012-2014 Rebenchmarking Increments from Base Year FY 2012
(Direct Aid Appropriation Tracking - State Shares Only)

Step	Action	FY 2013	FY 2014	TOTAL
1	Remove Non-Participation Estimate for the Virginia Preschool Initiative (general fund portion of cost)	22,130,167	22,130,167	44,260,334
2	Remove FY12 One-Time Spending (Composite Index Hold Harmless, Supplemental Support for School Operating Costs, & Performance Pay Incentives Initiative)	(107,254,433)	(107,254,433)	(214,508,866)
3	Reset Nonpersonal Support Costs Inflation Factors to 0% in SOQ Model (not funded in the FY12 base)	-	-	-
4	Reset Personal Support Costs Inflation Factors to 0% in SOQ Model (not funded in the FY12 base)	-	-	-
5	Update Fall Membership and Average Daily Membership Base Year and Projected Enrollment Counts	(421,003)	13,349,721	12,928,718
6	Update Special Education Child Count to December 1, 2010	(13,926,642)	(13,751,218)	(27,677,860)
7	Update Career & Technical Education Enrollment to Beginning School Year 2010	(19,409,892)	(19,370,654)	(38,780,546)
8	Update SOL Failure Rate Data to Beginning School Year 2009 and Free Lunch Percentages to Beginning School Year 2010	14,600,999	14,737,779	29,338,778
9	Update SOQ Gifted, Support Technology, and Instructional Technology Positions	2,607,478	2,611,618	5,219,096
10	Update SOQ Funded Instructional Salaries	72,903,315	73,004,384	145,907,699
11	Update Base-Year Expenditures from ASRFIN to Beginning School Year 2009 for Personal Support Costs (Positions & Salaries)	11,690,827	11,807,732	23,498,559
12	Update Base-Year Expenditures from ASRFIN to Beginning School Year 2009 for Nonpersonal Support Costs	55,958,854	55,518,772	111,477,626
13	Update Federal Revenue Deduct Per Pupil Amount	(35,126,656)	(35,070,795)	(70,197,451)
14	Update Support Positions Cap (Ratio of Instructional to Support Positions)	(7,941,471)	(7,995,171)	(15,936,642)
15	Update Costs for Division Superintendents, School Boards, and School Nurses (w/o inflation)	4,945,433	4,839,187	9,784,620
16	Update Health Care Premium (w/o inflation)	25,193,055	25,036,289	50,229,344
17	Update Textbook Per Pupil Amount (w/o inflation)	33,361,926	33,459,604	66,821,530
18	Update Pupil Transportation Costs	(13,265,763)	(13,814,976)	(27,080,739)
19	Update Nonpersonal Support Cost Inflation Factors	54,278,942	54,501,141	108,780,083
20	Update Salary Inflation Factors (no state-funded increases in 2010-2012)	0	0	0
21	Update English as a Second Language Enrollment Projections	2,598,398	4,837,138	7,435,536
22	Update Remedial Summer School Per Pupil Amount and Enrollment Projections	1,783,284	2,802,901	4,586,185
23	Update Incentive Accounts	773,735	944,413	1,718,148
24	Update Categorical Accounts	784,413	3,628,141	4,412,554
25	Update Lottery Funded Accounts (general fund portion of cost)	39,313,859	47,165,619	86,479,478
Total Rebenchmarking Cost:		145,578,825	173,117,359	318,696,184

Appendix B:
Comparison of 2010-2012 and 2012-2014
Composite Index Values

Div. #	Division	<u>2010-2012</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
001	ACCOMACK	.3753	.3719	(0.0034)
002	ALBEMARLE	.6872	.6502	(0.0370)
003	ALLEGHANY	.2151	.2297	0.0146
004	AMELIA	.3472	.3473	0.0001
005	AMHERST	.2664	.3075	0.0411
006	APPOMATTOX	.2732	.2945	0.0213
007	ARLINGTON	.8000	.8000	0.0000
008	AUGUSTA	.3416	.3627	0.0211
009	BATH	.8000	.8000	0.0000
010	BEDFORD COUNTY	.4076	.4268	0.0192
011	BLAND	.2723	.3029	0.0306
012	BOTETOURT	.3682	.3710	0.0028
013	BRUNSWICK	.2728	.2837	0.0109
014	BUCHANAN	.2849	.3263	0.0414
015	BUCKINGHAM	.2738	.3104	0.0366
016	CAMPBELL	.2490	.2655	0.0165
017	CAROLINE	.3580	.3306	(0.0274)
018	CARROLL	.2573	.2831	0.0258
019	CHARLES CITY	.4203	.4483	0.0280
020	CHARLOTTE	.2288	.2365	0.0077
021	CHESTERFIELD	.3551	.3539	(0.0012)
022	CLARKE	.5346	.4892	(0.0454)
023	CRAIG	.2903	.3163	0.0260

Div. #	Division	<u>2010-2012</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
024	CULPEPER	.4167	.3668	(0.0499)
025	CUMBERLAND	.2805	.2971	0.0166
026	DICKENSON	.1940	.2547	0.0607
027	DINWIDDIE	.2631	.2850	0.0219
028	ESSEX	.4868	.4364	(0.0504)
029	FAIRFAX COUNTY	.7126	.6789	(0.0337)
030	FAUQUIER	.6097	.5377	(0.0720)
031	FLOYD	.3470	.3440	(0.0030)
032	FLUVANNA	.3867	.3924	0.0057
033	FRANKLIN COUNTY	.4011	.4181	0.0170
034	FREDERICK	.3816	.3601	(0.0215)
035	GILES	.2649	.2706	0.0057
036	GLOUCESTER	.3703	.3798	0.0095
037	GOOCHLAND	.8000	.8000	0.0000
038	GRAYSON	.3178	.3385	0.0207
039	GREENE	.3500	.3724	0.0224
040	GREENSVILLE	.1998	.2174	0.0176
041	HALIFAX	.2748	.2943	0.0195
042	HANOVER	.4195	.4203	0.0008
043	HENRICO	.4370	.4276	(0.0094)
044	HENRY	.2315	.2430	0.0115
045	HIGHLAND	.7846	.8000	0.0154
046	ISLE OF WIGHT	.3926	.4258	0.0332
047	JAMES CITY	.5668	.5628	(0.0040)
048	KING GEORGE	.3875	.3787	(0.0088)
049	KING AND QUEEN	.4404	.4469	0.0065
050	KING WILLIAM	.3291	.3375	0.0084
051	LANCASTER	.8000	.7934	(0.0066)
052	LEE	.1692	.1826	0.0134
053	LOUDOUN	.5854	.5666	(0.0188)

Div. #	Division	<u>2010-2012</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
054	LOUISA	.5392	.5659	0.0267
055	LUNENBURG	.2308	.2535	0.0227
056	MADISON	.5204	.4486	(0.0718)
057	MATHEWS	.5882	.5589	(0.0293)
058	MECKLENBURG	.3315	.3650	0.0335
059	MIDDLESEX	.7430	.7232	(0.0198)
060	MONTGOMERY	.3549	.4053	0.0504
062	NELSON	.5734	.5928	0.0194
063	NEW KENT	.4312	.4414	0.0102
065	NORTHAMPTON	.5109	.5103	(0.0006)
066	NORTHUMBERLAND	.8000	.8000	0.0000
067	NOTTOWAY	.2547	.2447	(0.0100)
068	ORANGE	.4257	.3842	(0.0415)
069	PAGE	.3181	.3143	(0.0038)
070	PATRICK	.2439	.2866	0.0427
071	PITTSYLVANIA	.2401	.2475	0.0074
072	POWHATAN	.3969	.4230	0.0261
073	PRINCE EDWARD	.3043	.3265	0.0222
074	PRINCE GEORGE	.2344	.2513	0.0169
075	PRINCE WILLIAM	.4036	.3787	(0.0249)
077	PULASKI	.2870	.3052	0.0182
078	RAPPAHANNOCK	.8000	.8000	0.0000
079	RICHMOND COUNTY	.3562	.3599	0.0037
080	ROANOKE COUNTY	.3460	.3657	0.0197
081	ROCKBRIDGE	.5050	.4903	(0.0147)
082	ROCKINGHAM	.3489	.3675	0.0186
083	RUSSELL	.2113	.2430	0.0317
084	SCOTT	.1821	.1831	0.0010
085	SHENANDOAH	.4029	.3706	(0.0323)
086	SMYTH	.2100	.2178	0.0078

Div. #	Division	<u>2010-2012</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
087	SOUTHAMPTON	.2896	.3171	0.0275
088	SPOTSYLVANIA	.3593	.3326	(0.0267)
089	STAFFORD	.3362	.3305	(0.0057)
090	SURRY	.6955	.7642	0.0687
091	SUSSEX	.3213	.3375	0.0162
092	TAZEWELL	.2487	.2695	0.0208
093	WARREN	.4204	.3890	(0.0314)
094	WASHINGTON	.3165	.3533	0.0368
095	WESTMORELAND	.5020	.4649	(0.0371)
096	WISE	.1885	.2045	0.0160
097	WYTHE	.3142	.3204	0.0062
098	YORK	.3727	.4049	0.0322
101	ALEXANDRIA	.8000	.8000	0.0000
102	BRISTOL	.3132	.3190	0.0058
103	BUENA VISTA	.1932	.1895	(0.0037)
104	CHARLOTTESVILLE	.6560	.6861	0.0301
106	COLONIAL HEIGHTS	.4428	.4448	0.0020
107	COVINGTON	.2597	.2775	0.0178
108	DANVILLE	.2470	.2653	0.0183
109	FALLS CHURCH	.8000	.8000	0.0000
110	FREDERICKSBURG	.7763	.6511	(0.1252)
111	GALAX	.2695	.2725	0.0030
112	HAMPTON	.2690	.2912	0.0222
113	HARRISONBURG	.4133	.4274	0.0141
114	HOPEWELL	.2285	.2376	0.0091
115	LYNCHBURG	.3643	.3727	0.0084
116	MARTINSVILLE	.2263	.2175	(0.0088)
117	NEWPORT NEWS	.2778	.2934	0.0156
118	NORFOLK	.3004	.3102	0.0098
119	NORTON	.3042	.3274	0.0232

Div. #	Division	<u>2010-2012</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
120	PETERSBURG	.2255	.2516	0.0261
121	PORTSMOUTH	.2497	.2755	0.0258
122	RADFORD	.3251	.2630	(0.0621)
123	RICHMOND CITY	.4945	.4779	(0.0166)
124	ROANOKE CITY	.3582	.3728	0.0146
126	STAUNTON	.4024	.3987	(0.0037)
127	SUFFOLK	.3432	.3530	0.0098
128	VIRGINIA BEACH	.4060	.4110	0.0050
130	WAYNESBORO	.3609	.3690	0.0081
131	WILLIAMSBURG	.8000	.8000	0.0000
132	WINCHESTER	.5124	.4645	(0.0479)
134	FAIRFAX CITY	.8000	.8000	0.0000
135	FRANKLIN CITY	.3047	.3276	0.0229
136	CHESAPEAKE	.3465	.3678	0.0213
137	LEXINGTON	.4601	.5059	0.0458
138	EMPORIA	.2602	.2594	(0.0008)
139	SALEM	.3516	.3628	0.0112
140	BEDFORD CITY	.2969	.3132	0.0163
142	POQUOSON	.3524	.3816	0.0292
143	MANASSAS	.4005	.3599	(0.0406)
144	MANASSAS PARK	.3311	.2600	(0.0711)
202	COLONIAL BEACH	.3785	.3527	(0.0258)
207	WEST POINT	.2667	.2838	0.0171