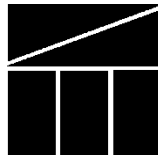


*Annual Report
to the General Assembly on the
Updates to the Standards of Quality*



**Virginia Department of Planning and Budget
November 15, 2013**

Overview

In accordance with Chapter 806, 2013 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 or the lottery. These revenue estimates will not be available until after the Governor's Advisory Council on Revenue Estimates (GACRE) meets on November 25, 2013.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality in the 2014-2016 biennium:

- Updates for the SOQ rebenchmarking process, as received by the Board of Education at its September 26, 2013, meeting and subsequently updated by DOE;
- Update of the Composite Index of Local Ability-to-Pay for the 2014-2016 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 2014-2016 biennium:

	<u>FY 2015</u>	<u>FY 2016</u>
Chapter 806 base (general fund only)	\$5,342.5 million	\$5,342.5 million
Updates for the 2014-2016 SOQ rebenchmarking process	\$194.6 million	\$221.8 million
Update Composite Index for the 2014-2016 biennium	\$18.4 million	\$18.7 million
Update funded retirement contribution rate based on the VRS board-certified rate of 14.50 percent	\$81.2 million	\$81.5 million
Update funded retiree health care credit contribution rate based on the VRS board-certified rate of 1.18 percent	\$1.9 million	\$2.0 million
Update funded group life contribution rate based on the VRS board-certified rate of 0.53 percent	\$1.4 million	\$1.4 million
Revised total estimated state cost	\$5,640.0 million	\$5,667.9 million

Details

Pursuant to the *Code of Virginia* and Chapter 806, 2013 Acts of Assembly, the Department of Education calculated the cost of rebenchmarking the Standards of Quality for the 2014-2016 biennium. This process involves technical updates using the current methodology; it does not reflect the impact of any policy changes. Factors updated for the 2014-2016 biennium include items such as: 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 2014-2016 biennium for each division using data from the Department of Taxation. This calculation updates data from tax year 2009 to tax year 2011 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 2010 to 2012 and population estimates from the Weldon Cooper Center for Public Service at the University of Virginia were updated from base year 2009 to 2011. Appendix B of this report contains the Composite Index values by school division for the 2014-2016 biennium, as well as a comparison to the 2012-2014 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 2014-2016 biennium. The following chart provides a comparison of the rates for the 2014-2016 biennium to those currently funded in fiscal year 2014:

<u>Fringe Benefit</u>	<u>FY2014</u>	<u>2014-2016 Biennium</u>
VRS (Retirement)	11.66%	14.50%
Retiree Health Care Credit	1.11%	1.18%
Group Life	0.48%	0.53%

Appendix A:

2014-2016 Rebenchmarking Increments from Base Year FY 2014 (Direct Aid Appropriation Tracking - State Shares Only)			
Step	Action	FY 2015	FY 2016
1	Remove Non-Participation Estimate for the Virginia Preschool Initiative (general fund portion of cost)	23,383,600	23,383,600
2	Remove FY 2014 One-Time Spending (Additional Assistance with Retirement, Inflation and Preschool Costs, College Readiness Center Pilot, Year-Round Schools Planning Grants, Fairfax/Loudoun STEM Model)	(55,629,500)	(55,629,500)
3	Reset Nonpersonal Support Costs Inflation Factors to 0% in SOQ Model (not funded in the FY 2014 base)	0	0
4	Reset Personal Support Costs Inflation Factors to 0% in SOQ Model (not funded in the FY 2014 base) and Remove Compensation Supplement Funding	(70,425,859)	(70,425,859)
5	Update Fall Membership and Average Daily Membership Base Year and Projected Enrollment Counts	9,128,851	24,488,958
6	Update Special Education Child Count to December 1, 2012	(8,339,355)	(8,047,010)
7	Update Career & Technical Education Enrollment to Beginning School Year 2012	(5,438,829)	(5,392,956)
8	Update SOL Failure Rate Data to Beginning School Year 2011 and Free Lunch Percentages to Beginning School Year 2012	16,765,594	16,886,775
9	Update SOQ Gifted, Support Technology, and Instructional Technology Positions	2,200,460	2,383,976
10	Update Base Year Prevailing SOQ Instructional Salaries	(4,639,090)	(4,594,709)
11	Update Base-Year Expenditures from ASRFIN to Beginning School Year 2011 for Personal Support Costs (Positions & Base Year Prevailing Salaries)	5,941,399	5,886,484
12	Update Base-Year Expenditures from ASRFIN to Beginning School Year 2011 for Nonpersonal Support Costs	34,904,627	35,361,740
13	Update Federal Revenue Deduct Per Pupil Amount	51,950,676	51,987,387
14	Update Support Positions Cap Based on Divisions' Ratios (Ratio of Instructional to Support Positions)	(2,922,166)	(3,163,472)
15	Update Costs for Division Superintendents, School Boards, and School Nurses (w/o inflation)	347,481	401,201
16	Update Health Care Premium (without inflation)	26,741,038	26,656,123
17	Update Textbook Per Pupil Amount (without inflation)	4,469,550	4,485,836
18	Update Pupil Transportation Costs	18,229,068	18,773,320
19	Update Nonpersonal Support Cost Inflation Factors	46,967,109	47,173,451

Step	Action	FY 2015	FY 2016
20	Update Salary Inflation Factors (Instructional and Support)	68,778,174	68,766,354
21	Update English as a Second Language Enrollment Projections	1,309,250	2,506,452
22	Update Remedial Summer School Per Pupil Amount and Enrollment Projections	1,737,344	3,291,600
Rebenchmarking as of September 26, 2013:		165,459,422	185,179,751
23	Update Incentive Accounts	1,252,665	37,670
24	Update Categorical Accounts	(1,696,206)	(233,479)
25	Update Lottery Accounts	29,593,482	36,767,265
26	Update Compensation Supplement Calculations (Net 0 to Funding)	0	0
Subsequent Updates by DOE:		29,149,941	36,571,456
Total Current Rebenchmarking Cost:		194,609,363	221,751,207

Appendix B:

Comparison of 2012-2014 and 2014-2016 Composite Index Values

Div. #	Division	<u>2014-2016</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
001	ACCOMACK	.3553	.3719	(0.0166)
002	ALBEMARLE	.6504	.6502	0.0002
101	ALEXANDRIA	.8000	.8000	0.0000
003	ALLEGHANY	.2423	.2297	0.0126
004	AMELIA	.3308	.3473	(0.0165)
005	AMHERST	.3079	.3075	0.0004
006	APPOMATTOX	.3079	.2945	0.0134
007	ARLINGTON	.8000	.8000	0.0000
008	AUGUSTA	.3543	.3627	(0.0084)
009	BATH	.8000	.8000	0.0000
010	BEDFORD COUNTY	.3132	.3132	0.0000
011	BLAND	.3252	.3029	0.0223
012	BOTETOURT	.3718	.3710	0.0008
102	BRISTOL	.3085	.3190	(0.0105)
013	BRUNSWICK	.2984	.2837	0.0147
014	BUCHANAN	.3570	.3263	0.0307
015	BUCKINGHAM	.3346	.3104	0.0242
103	BUENA VISTA	.1756	.1895	(0.0139)
016	CAMPBELL	.2759	.2655	0.0104
017	CAROLINE	.3272	.3306	(0.0034)
018	CARROLL	.2695	.2831	(0.0136)
019	CHARLES CITY	.4431	.4483	(0.0052)
020	CHARLOTTE	.2579	.2365	0.0214
104	CHARLOTTESVILLE	.6680	.6861	(0.0181)
136	CHESAPEAKE	.3609	.3678	(0.0069)
021	CHESTERFIELD	.3495	.3539	(0.0044)
022	CLARKE	.5151	.4892	0.0259

Div. #	Division	<u>2014-2016</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
202	COLONIAL BEACH	.3519	.3527	(0.0008)
106	COLONIAL HEIGHTS	.4322	.4448	(0.0126)
107	COVINGTON	.2817	.2775	0.0042
023	CRAIG	.3155	.3163	(0.0008)
024	CULPEPER	.3444	.3668	(0.0224)
025	CUMBERLAND	.2780	.2971	(0.0191)
108	DANVILLE	.2649	.2653	(0.0004)
026	DICKENSON	.2709	.2547	0.0162
027	DINWIDDIE	.2881	.2850	0.0031
138	EMPORIA	.2495	.2594	(0.0099)
028	ESSEX	.4021	.4364	(0.0343)
134	FAIRFAX CITY	.8000	.8000	0.0000
029	FAIRFAX COUNTY	.6804	.6789	0.0015
109	FALLS CHURCH	.8000	.8000	0.0000
030	FAUQUIER	.5584	.5377	0.0207
031	FLOYD	.3468	.3440	0.0028
032	FLUVANNA	.3834	.3924	(0.0090)
135	FRANKLIN CITY	.2977	.3276	(0.0299)
033	FRANKLIN COUNTY	.4136	.4181	(0.0045)
034	FREDERICK	.3718	.3601	0.0117
110	FREDERICKSBURG	.6134	.6511	(0.0377)
111	GALAX	.2737	.2725	0.0012
035	GILES	.2866	.2706	0.0160
036	GLOUCESTER	.3659	.3798	(0.0139)
037	GOOCHLAND	.8000	.8000	0.0000
038	GRAYSON	.3459	.3385	0.0074
039	GREENE	.3566	.3724	(0.0158)
040	GREENSVILLE	.2258	.2174	0.0084
041	HALIFAX	.3010	.2943	0.0067
112	HAMPTON	.2949	.2912	0.0037
042	HANOVER	.4069	.4203	(0.0134)
113	HARRISONBURG	.4008	.4274	(0.0266)

Div. #	Division	<u>2014-2016</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
043	HENRICO	.4058	.4276	(0.0218)
044	HENRY	.2407	.2430	(0.0023)
045	HIGHLAND	.8000	.8000	0.0000
114	HOPEWELL	.2298	.2376	(0.0078)
046	ISLE OF WIGHT	.4193	.4258	(0.0065)
047	JAMES CITY	.5629	.5628	0.0001
049	KING AND QUEEN	.4336	.4469	(0.0133)
048	KING GEORGE	.3772	.3787	(0.0015)
050	KING WILLIAM	.3195	.3375	(0.0180)
051	LANCASTER	.7789	.7934	(0.0145)
052	LEE	.1885	.1826	0.0059
137	LEXINGTON	.4508	.5059	(0.0551)
053	LOUDOUN	.5616	.5666	(0.0050)
054	LOUISA	.5642	.5659	(0.0017)
055	LUNENBURG	.2501	.2535	(0.0034)
115	LYNCHBURG	.3679	.3727	(0.0048)
056	MADISON	.4469	.4486	(0.0017)
143	MANASSAS	.3661	.3599	0.0062
144	MANASSAS PARK	.2682	.2600	0.0082
116	MARTINSVILLE	.2221	.2175	0.0046
057	MATHEWS	.5435	.5589	(0.0154)
058	MECKLENBURG	.3608	.3650	(0.0042)
059	MIDDLESEX	.7445	.7232	0.0213
060	MONTGOMERY	.3864	.4053	(0.0189)
062	NELSON	.5686	.5928	(0.0242)
063	NEW KENT	.4296	.4414	(0.0118)
117	NEWPORT NEWS	.2907	.2934	(0.0027)
118	NORFOLK	.3122	.3102	0.0020
065	NORTHAMPTON	.4838	.5103	(0.0265)
066	NORTHUMBERLAND	.7428	.8000	(0.0572)
119	NORTON	.3101	.3274	(0.0173)
067	NOTTOWAY	.2477	.2447	0.0030

Div. #	Division	<u>2014-2016</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
068	ORANGE	.3617	.3842	(0.0225)
069	PAGE	.2984	.3143	(0.0159)
070	PATRICK	.2725	.2866	(0.0141)
120	PETERSBURG	.2473	.2516	(0.0043)
071	PITTSYLVANIA	.2507	.2475	0.0032
142	POQUOSON	.3893	.3816	0.0077
121	PORTSMOUTH	.2677	.2755	(0.0078)
072	POWHATAN	.3912	.4230	(0.0318)
073	PRINCE EDWARD	.3272	.3265	0.0007
074	PRINCE GEORGE	.2429	.2513	(0.0084)
075	PRINCE WILLIAM	.3821	.3787	0.0034
077	PULASKI	.3111	.3052	0.0059
122	RADFORD	.2674	.2630	0.0044
078	RAPPAHANNOCK	.7912	.8000	(0.0088)
123	RICHMOND CITY	.4635	.4779	(0.0144)
079	RICHMOND COUNTY	.3581	.3599	(0.0018)
124	ROANOKE CITY	.3591	.3728	(0.0137)
080	ROANOKE COUNTY	.3703	.3657	0.0046
081	ROCKBRIDGE	.4739	.4903	(0.0164)
082	ROCKINGHAM	.3700	.3675	0.0025
083	RUSSELL	.2485	.2430	0.0055
139	SALEM	.3695	.3628	0.0067
084	SCOTT	.1939	.1831	0.0108
085	SHENANDOAH	.3651	.3706	(0.0055)
086	SMYTH	.2251	.2178	0.0073
087	SOUTHAMPTON	.2876	.3171	(0.0295)
088	SPOTSYLVANIA	.3554	.3326	0.0228
089	STAFFORD	.3411	.3305	0.0106
126	STAUNTON	.3922	.3987	(0.0065)
127	SUFFOLK	.3489	.3530	(0.0041)
090	SURRY	.8000	.7642	0.0358

Div. #	Division	<u>2014-2016</u> Composite Index	<u>2012-2014</u> Composite Index	Variance
091	SUSSEX	.3583	.3375	0.0208
092	TAZEWELL	.2754	.2695	0.0059
128	VIRGINIA BEACH	.4033	.4110	(0.0077)
093	WARREN	.3870	.3890	(0.0020)
094	WASHINGTON	.3812	.3533	0.0279
130	WAYNESBORO	.3492	.3690	(0.0198)
207	WEST POINT	.2580	.2838	(0.0258)
095	WESTMORELAND	.4631	.4649	(0.0018)
131	WILLIAMSBURG	.8000	.8000	0.0000
132	WINCHESTER	.4374	.4645	(0.0271)
096	WISE	.2538	.2045	0.0493
097	WYTHE	.3182	.3204	(0.0022)
098	YORK	.4024	.4049	(0.0025)