



# COMMONWEALTH of VIRGINIA

*Department of Planning and Budget*

DANIEL S. TIMBERLAKE  
Director

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November 15, 2021

The Honorable Janet D. Howell  
Chair, Finance and Appropriations Committee  
The Senate of Virginia  
Post Office Box 2608  
Reston, Virginia 20195

The Honorable Luke E. Torian  
Chairman, Appropriations Committee  
Virginia House of Delegates  
4222 Fortuna Plaza, Suite 659  
Dumfries, Virginia 22025

Dear Senator Howell and Delegate Torian:

In accordance with Item 145, Paragraph B.14, Chapter 552, 2021 Acts of Assembly, Special Session I, enclosed is an update on the Standards of Quality (SOQ) expenditures based upon the most current data available.

This report includes seven types of updates to SOQ funding for fiscal year 2022 and the 2022-2024 biennium where such updates are appropriate:

1. Updates for the 2022-2024 biennial SOQ rebenchmarking process, as received by the Board of Education at its October 20, 2021, meeting;
2. Update of the Composite Index of Local Ability-to-Pay for the 2022-2024 biennium;
3. Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2022-2024 biennium;

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4. Update of fall membership and average daily membership projections based on preliminary September 30, 2021, fall membership data for fiscal year 2022 and for the 2022-2024 biennium;
5. Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery's October 2021 forecast for fiscal year 2022 and for the 2022-2024 biennium;
6. Update of sales tax revenues for public education for fiscal year 2022 and for the 2022-2024 biennium based on the Virginia Department of Taxation's 2021 GACRE forecast; and
7. Update of the latest yearly estimate of school age population provided by the Weldon Cooper Center for Public Service for the distribution of sales tax revenues to school divisions.

Please contact me if you have any questions concerning this information.

Sincerely,



Daniel S. Timberlake

Enclosure

c: The Honorable K. Joseph Flores  
Ms. Anne Oman  
Ms. April Kees  
Mr. Michael Maul

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



**Virginia Department of Planning and Budget  
November 15, 2021**

## Overview

In accordance with Chapter 552, 2021 Acts of Assembly, Special Session I, 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 updates to the SOQ accounts that are calculated on an annual basis as well as biennial updates associated with the rebenchmarking process as prepared by DOE and submitted to the Board of Education.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality in fiscal year 2022 and the 2022-2024 biennium:

- Updates for the 2022-2024 biennial SOQ rebenchmarking process, as submitted to the Board of Education at its October 20, 2021, meeting *(NOTE: The Department of Education presented SOQ rebenchmarking changes to the Board of Education that retained the “No Loss” funding that was approved by the General Assembly in Chapter 552 due to the COVID-19 pandemic. Historically, “No Loss” funding is one-time and not included in the rebenchmarking calculations. The numbers in this report include this “No Loss” funding [step 27 in Appendix A below] in order to present cost estimates that are consistent with the Department’s actions.)*;
- Update of the Composite Index of Local Ability-to-Pay for the 2022-2024 biennium;
- Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2022-2024 biennium;
- Update of fall membership and average daily membership projections based on preliminary September 30, 2021, fall membership data for fiscal year 2022 and for the 2022-2024 biennium;
- Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery’s October 2021 forecast for fiscal year 2022 and for the 2022-2024 biennium;
- Update of sales tax revenues for public education for fiscal year 2022 and for the 2022-2024 biennium based on the Virginia Department of Taxation’s 2021 GACRE forecast; and
- Update of the latest yearly estimate of school age population provided by the Weldon Cooper Center for Public Service for the distribution of sales tax revenues to school divisions.

The following table details the general fund expenditure impact of these updates to the Standards of Quality for fiscal year 2022 and the 2022-2024 biennium:

	<b>FY 2022</b> (millions)	<b>FY 2023</b> (millions)	<b>FY 2024</b> (millions)
<b>Chapter 552 base (general fund only)</b>	<b>\$7,311.6</b>	<b>\$7,311.6</b>	<b>\$7,311.6</b>
Updates for the 2022-2024 SOQ rebenchmarking process (see Appendix A)	N/A	\$153.8	\$177.2
Update the Composite Index for the 2022-2024 biennium	N/A	\$3.9	\$4.2
Update fringe benefit contribution rates for funded positions in the SOQ model	N/A	\$(67.4)	\$(67.5)
Update fall membership and average daily membership projections (preliminary)	\$(53.6)	\$(34.4)	\$(33.2)
Update the Lottery Proceeds Fund estimate resulting in general fund savings	\$(152.5)	\$(73.8)	\$(73.8)
Update sales tax revenues for public education	\$78.0	\$110.6	\$134.6
Update the latest yearly estimate of school age population	N/A	\$(0.6)	\$(0.6)
<b>Revised total estimated state cost</b>	<b>\$7,183.5</b>	<b>\$7,403.7</b>	<b>\$7,452.5</b>

## Details

Pursuant to the *Code of Virginia* and Chapter 552, 2021 Acts of Assembly, Special Session I, DOE calculated the cost of rebenchmarking the Standards of Quality for the 2022-2024 biennium. This process involves technical updates using the current methodology; it does not reflect the impact of any policy changes with the exception of the inclusion of the “No Loss” funding as discussed above. Factors updated for the 2022-2024 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.

### Composite Index of Local Ability to Pay Revisions

DOE also has recalculated the Composite Index of Local Ability-to-Pay for the 2022-2024 biennium for each division using data from the Department of Taxation. This calculation updates data from tax year 2017 to tax year 2019 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 2018 to 2020. Appendix B of this report contains the Composite Index values by school

division for the 2022-2024 biennium, as well as a comparison to the 2020-2022 biennium values.

#### Fringe Benefit Contribution Rate Revisions

The fringe benefit contribution rates for retirement, retiree health care credit, and group life have been updated based on the respective Virginia Retirement System (VRS) board-certified rates for the 2022-2024 biennium. The following table provides a comparison of the rates for the 2022-2024 biennium to those currently funded in fiscal year 2022:

<b>Fringe Benefit</b>	<b>FY 2022</b>	<b>2022-2024 Biennium</b>
Retirement	16.62%	14.76%
Retiree Health Care Credit	1.21%	1.21%
Group Life	0.54%	0.48%

#### Enrollment Changes

The impact of updates to the fall membership and average daily membership enrollment counts are preliminary at this time, as DOE has not yet completed its work to verify the fall membership data submitted by school divisions in October 2021. However, based on preliminary findings, fall membership and projected average daily membership are lower in fiscal year 2022 than the projections used in Chapter 552. Based on these lower enrollment figures, DOE estimates a preliminary savings of \$53.6 million in fiscal year 2022. Pursuant to Item 145.C.40. of Chapter 552, the fiscal year 2022 savings will be offset by adjustments to the No Loss Funding program, which requires No Loss payments to be updated for technical updates to Direct Aid student enrollment.

Based on this preliminary fall membership data, average daily membership projections are lower in fiscal year 2023 and fiscal year 2024 than the projections used in DOE's preliminary rebenchmarking estimates for the 2022-2024 biennium. Based on these lower enrollment figures, DOE estimates a preliminary savings of \$34.4 million in fiscal year 2023 and \$33.2 million in fiscal year 2024. The final estimated costs due to enrollment changes cannot be determined until DOE completes its analysis of the school division enrollment data and its related impact on projections.

#### Lottery Revenue

The fiscal year 2022 appropriation in Chapter 552 anticipates \$690.9 million in transfers to the Lottery Proceeds Fund. The Virginia Lottery Board recommends a revised estimate of fiscal year 2022 profits totaling \$776.1 million. This estimate does not include the residual transfer of fiscal year 2021 profits from August 2021 of \$67.3 million. In total, the revised estimate of expected funds available to the Lottery

Proceeds Fund for fiscal year 2022 is \$843.4 million. Furthermore, the Virginia Lottery Board projects estimated profits of \$764.7 million in fiscal year 2023 and \$764.7 million in fiscal year 2024.

### Sales Tax Revisions

Based on the Virginia Department of Taxation's November 2021 revenue forecast submitted to the Governor's Advisory Council on Revenue Estimates (GACRE), the fiscal year 2022 estimated education sales tax distribution increases by \$176.1 million over the fiscal year 2022 appropriation in Chapter 552, which results in an additional state cost of \$78.0 million after accounting for the savings realized in Basic Aid from increased sales tax revenues. Additionally, Taxation projects increases of \$250.2 million in fiscal year 2023 and \$304.4 million in fiscal year 2024, resulting in additional state costs of \$110.6 million and \$134.6 million, respectively, after accounting for the savings realized in Basic Aid from increased sales tax revenues. Furthermore, based on the July 1, 2020, estimate of school age population provided by the Weldon Cooper Center for Public Service, DOE calculates a decreased state cost of \$0.6 million each year of the 2022-2024 biennium for the distribution of sales tax revenues to school divisions.

### Federal Maintenance of Effort Requirements

Pursuant to federal maintenance of effort requirements for the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) and the American Rescue Plan Act of 2021 (ARPA), a state that received Elementary and Secondary School Emergency Relief (ESSER), Governor's Emergency Education Relief (GEER), or Emergency Assistance for Non-public Schools (EANS) funds under the CRRSA Act and ARPA must maintain state support for elementary and secondary education in fiscal year 2022 and fiscal year 2023 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending averaged over fiscal years 2017, 2018, and 2019. Depending upon final proposed actions for elementary and secondary education and the remainder of general fund appropriation actions in the budget, additional general fund support for elementary and secondary education may be required to meet the maintenance of effort requirement.

## Appendix A:

### 2022-2024 Rebenchmarking Increments from Base Year 2022

(Direct Aid General Fund Appropriation Tracking - State Shares Only)

Step	Action	FY 2023	FY 2024
1	Remove Non-Participation Estimate (20.0 percent) for the Virginia Preschool Initiative	26,771,511	26,771,511
2	Remove One-Time Spending (includes No Loss Payments)	(166,705,524)	(166,705,524)
3	Reset Nonpersonal Support Costs Inflation Factors to 0% in SOQ Model	(56,763,321)	(56,763,321)
4	Remove Personal Support Costs Inflation in SOQ Model and FY 2022 Compensation Supplement	(268,982,000)	(268,982,000)
5	Update Fall Membership & Average Daily Membership Base Year and Projected Enrollment Counts	77,970,096	94,024,003
6	Update Special Education Child Counts to December 1, 2020	(44,706,248)	(44,625,356)
7	Update Career & Technical Education Enrollment	2,032,440	1,999,881
8	Update SOL Failure Rate Data to Beginning School Year 2018 and Free Lunch Percentages to Beginning School Year 2019 (due to COVID-19)	551,012	725,681
9	Update SOQ Gifted, Support Technology, and Instructional Technology Positions	(10,358,522)	(10,278,339)
10	Update Base Year Prevailing SOQ Instructional Salaries	17,857,674	18,000,584
11	Update Base Year Expenditures from ASRFIN to Beginning School Year 2019 for Personal Support Costs (Positions & Base Year Prevailing Salaries)	73,350,870	73,688,799
12	Update Base Year Expenditures from ASRFIN to Beginning School Year 2019 for Nonpersonal Support Costs	(57,394,860)	(56,438,220)
13	Update Federal Deduct Per Pupil Amount	141,627	102,160
14	Update Support Position Cap (ratio of Instructional to Support positions) from 4.30 to 1 to 4.19 to 1	17,292,576	17,380,698
15	Update Support Costs for Division Superintendents, School Boards and School Nurses (without inflation)	533,634	497,418
16	Update Health Care Premium (without inflation)	41,272,978	41,278,850
17	Update Textbook Per Pupil Amount (without inflation)	15,389,999	15,438,283
18	Update Pupil Transportation Costs (without inflation)	(2,468,438)	(2,068,539)
19	Update Non-Personal Support Cost Inflation Factors	65,861,846	66,092,335



<b>Step</b>	<b>Action</b>	<b>FY 2023</b>	<b>FY 2024</b>
20	Update Salary Inflation Factors (Instructional and Support) to annual 5.0% adopted in Chapter 552, 2021 Special Session I General Assembly	233,886,756	234,622,364
21	Update English as a Second Language Enrollment Projections	269,090	3,060,945
22	Update Remedial Summer School PPA and Enrollment Projections	(1,187,703)	(1,293,043)
23	Update Governor's School and Incentive Accounts	(3,373,675)	(3,225,476)
24	Technical Update to Richmond City Fall Membership Projection in SOQ Model	(3,179,309)	(3,183,881)
25	Technical Update to December 1, 2020 Special Education Child Counts	14,082,431	14,128,544
26	Update Categorical Programs	129,332	543,129
27	Re-introduce FY22 No Loss Payments (not distributed)	164,335,526	164,335,526
28	Update Compensation Supplement	-	-
29	Technical Update - Manassas City December 1, 2020 Special Education Child Counts	442,108	448,573
30	Update Head Start Data	6,510,883	6,722,691
31	Update Lottery Accounts	10,239,637	10,935,820
<b>Total Current Rebenchmarking Cost</b>		<b>153,802,426</b>	<b>177,234,096</b>

## Appendix B:

### Comparison of 2022-2024 and 2020-2022 Local Composite Index Values

Division Number	Division	2022-2024 Composite Index	2020-2022 Composite Index	Variance
001	ACCOMACK	.3413	.3374	.0039
002	ALBEMARLE	.6387	.6449	(.0062)
003	ALLEGHANY	.2900	.2819	.0081
004	AMELIA	.3652	.3479	.0173
005	AMHERST	.3048	.3141	(.0093)
006	APPOMATTOX	.2960	.2978	(.0018)
007	ARLINGTON	.8000	.8000	.0000
008	AUGUSTA	.3751	.3769	(.0018)
009	BATH	.8000	.8000	.0000
010	BEDFORD COUNTY	.3132	.3132	.0000
011	BLAND	.3531	.3380	.0151
012	BOTETOURT	.4091	.3975	.0116
013	BRUNSWICK	.4314	.4290	.0024
014	BUCHANAN	.2850	.2975	(.0125)
015	BUCKINGHAM	.3273	.3422	(.0149)
016	CAMPBELL	.2913	.2878	.0035
017	CAROLINE	.3613	.3553	.0060
018	CARROLL	.2696	.2749	(.0053)
019	CHARLES CITY	.5852	.5880	(.0028)
020	CHARLOTTE	.2551	.2444	.0107
021	CHESTERFIELD	.3546	.3584	(.0038)
022	CLARKE	.5728	.5729	(.0001)
023	CRAIG	.3362	.3336	.0026
024	CULPEPER	.3594	.3741	(.0147)

Division Number	Division	2022-2024 Composite Index	2020-2022 Composite Index	Variance
025	CUMBERLAND	.3060	.2978	.0082
026	DICKENSON	.2301	.2471	(.0170)
027	DINWIDDIE	.2912	.2879	.0033
028	ESSEX	.4675	.4636	.0039
029	FAIRFAX COUNTY	.6532	.6541	(.0009)
030	FAUQUIER	.5824	.5879	(.0055)
031	FLOYD	.3513	.3418	.0095
032	FLUVANNA	.4027	.3940	.0087
033	FRANKLIN COUNTY	.3982	.3953	.0029
034	FREDERICK	.4141	.4120	.0021
035	GILES	.2791	.2695	.0096
036	GLOUCESTER	.3975	.3885	.0090
037	GOOCHLAND	.8000	.8000	.0000
038	GRAYSON	.3526	.3615	(.0089)
039	GREENE	.3505	.3446	.0059
040	GREENSVILLE	.4067	.2799	.1268
041	HALIFAX	.3038	.3058	(.0020)
042	HANOVER	.4741	.4626	.0115
043	HENRICO	.4297	.4279	.0018
044	HENRY	.2179	.2253	(.0074)
045	HIGHLAND	.7745	.8000	(.0255)
046	ISLE OF WIGHT	.3880	.3964	(.0084)
047	JAMES CITY	.5331	.5553	(.0222)
048	KING GEORGE	.3805	.3703	.0102
049	KING AND QUEEN	.4075	.4139	(.0064)
050	KING WILLIAM	.3063	.3407	(.0344)
051	LANCASTER	.8000	.7835	.0165
052	LEE	.1714	.1692	.0022

Division Number	Division	2022-2024 Composite Index	2020-2022 Composite Index	Variance
053	LOUDOUN	.5450	.5466	(.0016)
054	LOUISA	.5263	.5406	(.0143)
055	LUNENBURG	.2604	.2561	.0043
056	MADISON	.4624	.4738	(.0114)
057	MATHEWS	.5453	.5162	.0291
058	MECKLENBURG	.4050	.3996	.0054
059	MIDDLESEX	.6324	.6008	.0316
060	MONTGOMERY	.4214	.3979	.0235
062	NELSON	.5888	.5604	.0284
063	NEW KENT	.4244	.4166	.0078
065	NORTHAMPTON	.4793	.4696	.0097
066	NORTHUMBERLAND	.6971	.7116	(.0145)
067	NOTTOWAY	.2660	.2597	.0063
068	ORANGE	.4115	.4105	.0010
069	PAGE	.3163	.3198	(.0035)
070	PATRICK	.2511	.2456	.0055
071	PITTSYLVANIA	.2511	.2446	.0065
072	POWHATAN	.5146	.4507	.0639
073	PRINCE EDWARD	.3644	.3554	.0090
074	PRINCE GEORGE	.2404	.2467	(.0063)
075	PRINCE WILLIAM	.3739	.3799	(.0060)
077	PULASKI	.3366	.3235	.0131
078	RAPPAHANNOCK	.8000	.7990	.0010
079	RICHMOND COUNTY	.3050	.3120	(.0070)
080	ROANOKE COUNTY	.3643	.3660	(.0017)
081	ROCKBRIDGE	.4530	.4506	.0024
082	ROCKINGHAM	.3679	.3799	(.0120)
083	RUSSELL	.2329	.2373	(.0044)

Division Number	Division	2022-2024 Composite Index	2020-2022 Composite Index	Variance
084	SCOTT	.1893	.1899	(.0006)
085	SHENANDOAH	.3852	.3832	.0020
086	SMYTH	.2184	.2228	(.0044)
087	SOUTHAMPTON	.2965	.3015	(.0050)
088	SPOTSYLVANIA	.3661	.3722	(.0061)
089	STAFFORD	.3411	.3470	(.0059)
090	SURRY	.8000	.8000	.0000
091	SUSSEX	.3476	.3492	(.0016)
092	TAZEWELL	.2564	.2575	(.0011)
093	WARREN	.4387	.4432	(.0045)
094	WASHINGTON	.3402	.3416	(.0014)
095	WESTMORELAND	.4768	.4618	.0150
096	WISE	.2347	.2372	(.0025)
097	WYTHE	.3277	.3204	.0073
098	YORK	.3699	.3812	(.0113)
101	ALEXANDRIA	.8000	.8000	.0000
102	BRISTOL	.3058	.3051	.0007
103	BUENA VISTA	.1942	.1893	.0049
104	CHARLOTTESVILLE	.6952	.6886	.0066
106	COLONIAL HEIGHTS	.4160	.4156	.0004
108	DANVILLE	.2524	.2622	(.0098)
109	FALLS CHURCH	.8000	.8000	.0000
110	FREDERICKSBURG	.5808	.5840	(.0032)
111	GALAX	.2619	.2775	(.0156)
112	HAMPTON	.2731	.2743	(.0012)
113	HARRISONBURG	.3459	.3537	(.0078)
114	HOPEWELL	.2022	.2053	(.0031)
115	LYNCHBURG	.3760	.3668	.0092

Division Number	Division	2022-2024 Composite Index	2020-2022 Composite Index	Variance
116	MARTINSVILLE	.2223	.2185	.0038
117	NEWPORT NEWS	.2808	.2842	(.0034)
118	NORFOLK	.3064	.3059	.0005
119	NORTON	.2655	.2710	(.0055)
120	PETERSBURG	.2410	.2442	(.0032)
121	PORTSMOUTH	.2413	.2426	(.0013)
122	RADFORD	.2395	.2452	(.0057)
123	RICHMOND CITY	.5139	.4688	.0451
124	ROANOKE CITY	.3387	.3284	.0103
126	STAUNTON	.3967	.3877	.0090
127	SUFFOLK	.3514	.3487	.0027
128	VIRGINIA BEACH	.4059	.4082	(.0023)
130	WAYNESBORO	.3685	.3652	.0033
131	WILLIAMSBURG	.7217	.7459	(.0242)
132	WINCHESTER	.4172	.4319	(.0147)
134	FAIRFAX CITY	.8000	.8000	.0000
135	FRANKLIN CITY	.2858	.2929	(.0071)
136	CHESAPEAKE	.3403	.3486	(.0083)
137	LEXINGTON	.3939	.3920	.0019
138	EMPORIA	.2388	.2228	.0160
139	SALEM	.3713	.3641	.0072
142	POQUOSON	.3641	.3703	(.0062)
143	MANASSAS	.3562	.3611	(.0049)
144	MANASSAS PARK	.2733	.2755	(.0022)
202	COLONIAL BEACH	.3368	.3317	.0051
207	WEST POINT	.2555	.2614	(.0059)