



COMMONWEALTH of VIRGINIA  
*Department of Planning and Budget*

MICHAEL D. MAUL  
Director

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November 3, 2023

The Honorable Janet D. Howell  
Co-Chair, Finance and Appropriations Committee  
Senate of Virginia  
P.O. Box 2608  
Reston, VA 20195-0608

The Honorable Barry D. Knight  
Chair, Appropriations Committee  
Virginia House of Delegates  
1852 Mill Landing Road  
Virginia Beach, VA 23457

The Honorable George L. Barker  
Co-Chair, Finance and Appropriations Committee  
Senate of Virginia  
P.O. Box 10527  
Alexandria, VA 22310

Dear Senators Howell and Barker and Delegate Knight:

In accordance with Item 137, Paragraph B.14, Chapter 1, 2023 Acts of Assembly, Special Session I, I am submitting the enclosed report with updates on the projected costs of the Standards of Quality (SOQ) based on the most current data available.

This report includes updates to SOQ funding for fiscal year 2024 and the 2024-2026 biennium where such updates are appropriate:

1. Updates for the 2024-2026 biennial SOQ rebenchmarking process;
2. Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery's October 2023 forecast for fiscal year 2024 and for the 2024-2026 biennium; and
3. 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.

Additional routine updates that impact SOQ funding for fiscal year 2024 and the 2024-2026 biennium are expected to be available by mid-November:

1. Update of the Composite Index of Local Ability-to-Pay for the 2024-2026 biennium;
2. Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2024-2026 biennium;

3. Additional update of fall membership and average daily membership projections for fiscal year 2024 and for the 2024-2026 biennium based on September 30, 2023, fall membership data; and
4. Update of sales tax revenues for public education for fiscal year 2024 and for the 2024-2026 biennium based on the Virginia Department of Taxation's 2023 GACRE forecast.

When available, Department of Planning and Budget staff will communicate the projected impact of these updates to K-12 staff of the House Appropriations Committee and the Senate Finance and Appropriations Committee.

Please let me know if you have any questions concerning this information.

Sincerely,

A handwritten signature in black ink that reads "Michael D. Maul". The signature is written in a cursive style with a large initial "M".

Michael D. Maul

Enclosure

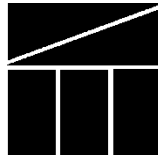
c: The Honorable Stephen E Cummings

Ms. Anne Oman

Ms. April Kees

Ms. Aimie Gindi

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



**Virginia Department of Planning and Budget  
November 3, 2023**

## Overview

In accordance with Item 137, Paragraph B.14 of Chapter 1, 2023 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 technical updates to the SOQ accounts that are calculated on an annual basis as well as biennial updates associated with the rebenchmarking process.

Specifically, this report contains the following updates and projected state costs for the SOQs in fiscal year 2024 and the 2024-2026 biennium:

- Updates for the 2024-2026 biennial SOQ rebenchmarking process;
- Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery’s October 2023 forecast for fiscal year 2024 and for the 2024-2026 biennium; 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 SOQs for fiscal year 2024 and the 2024-2026 biennium:

|  | <b>FY 2024</b><br>(millions) | <b>FY 2025</b><br>(millions) | <b>FY 2026</b><br>(millions) |
|--|------------------------------|------------------------------|------------------------------|
| <b>Chapter 1 base (general fund only)</b>                  | <b>\$9,215.0</b>             | <b>\$9,215.0</b>             | <b>\$9,215.0</b>             |
| Updates for the 2024-2026 SOQ rebenchmarking process       | N/A                          | \$72.6                       | \$87.9                       |
| Update the Lottery Proceeds Fund estimate                  | \$(89.5)                     | \$2.3                        | \$2.3                        |
| Update the latest yearly estimate of school age population | N/A                          | \$0.4                        | \$0.4                        |
| <b>Revised total estimated state cost</b>                  | <b>\$9,125.5</b>             | <b>\$9,290.3</b>             | <b>\$9,305.6</b>             |

## Details

Pursuant to the *Code of Virginia* and Chapter 1, 2023 Acts of Assembly, Special Session I, DOE calculated the cost of rebenchmarking the SOQs for the 2024-2026 biennium. This process involves technical updates using the current methodology; it does not reflect the impact of any policy changes. Factors updated for the 2024-2026 biennium include items

such as enrollment projections, inflation factors, funded salaries, and transportation costs. Updates to the fall membership and average daily membership enrollment counts included in rebenchmarking consider the fall membership data submitted to DOE by local school divisions as well as the projections of population trends and school enrollment from the Weldon Cooper Center for Public Service. A detailed listing of the updates made as part of the rebenchmarking process is included in Appendix A of this report.

### Revised Lottery Revenue

The fiscal year 2024 appropriation in Chapter 1 anticipates \$855.2 million in transfers to the Lottery Proceeds Fund. The Virginia Lottery Board recommends a revised estimate of fiscal year 2024 profits totaling \$858.5 million. This estimate does not include the residual transfer of fiscal year 2023 profits from August 2023 of \$86.2 million. In total, the revised estimate of expected funds available to the Lottery Proceeds Fund for fiscal year 2024 is \$944.7 million. Furthermore, the Virginia Lottery Board projects estimated profits of \$852.9 million in fiscal year 2025 and \$852.9 million in fiscal year 2026.

### School Age Population Revisions

Sales tax changes result from updating the estimate of school age population used to distribute sales tax revenue to school divisions. Using the revised estimate of school age population provided by the Weldon Cooper Center for Public Service, the Department of Education calculates an increase in state cost of \$0.4 million in fiscal year 2025 and \$0.4 million in fiscal year 2026.

Additional routine updates that impact SOQ funding for fiscal year 2024 and the 2024-2026 biennium are expected to be available by mid-November:

- Update of the Composite Index of Local Ability-to-Pay for the 2024-2026 biennium;
- Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2024-2026 biennium;
- Additional update of fall membership and average daily membership projections for fiscal year 2024 and for the 2024-2026 biennium based on September 30, 2023, fall membership data; and
- Update of sales tax revenues for public education for fiscal year 2024 and for the 2024-2026 biennium based on the Virginia Department of Taxation's 2023 GACRE forecast.

When available, DPB staff will communicate the projected impact of these updates to K-12 staff of the House Appropriations Committee and the Senate Finance and Appropriations Committee.

## Appendix A:

### 2024-2026 Rebenchmarking Increments from Base Year 2024

(Direct Aid General Fund Appropriation - State Shares Only)

| Step | Action  | FY 2025       | FY 2026       |
|------|---|---------------|---------------|
| 1    | Remove Non-Participation Estimate (20.0 percent) for the Virginia Preschool Initiative                                | 29,070,918    | 29,070,918    |
| 2    | Remove One-Time Spending (Rebenchmarking Hold Harmless)   | (177,441,317) | (177,441,317) |
| 3    | Reset Nonpersonal Support Costs Inflation Factors to 0% in SOQ Model  | (75,564,966)  | (75,564,966)  |
| 4    | Remove Personal Services Inflation and Compensation Supplement  | (576,684,267) | (576,684,267) |
| 5    | Update Fall Membership and March 31 ADM for FY25 and FY26   | 26,065,883    | 66,162,975    |
| 6    | Update Special Education Child Counts to December 1, 2022   | 52,329,871    | 52,820,177    |
| 7    | Update Career & Technical Education Enrollment  | 4,338,653     | 4,313,441     |
| 8    | Update SOL Failure Rate Data and Free Lunch Percentages   | 6,234,579     | 6,295,551     |
| 9    | Update Other Instructional Positions  | 1,606,458     | 1,768,983     |
| 10   | Update Prevailing Salaries for Instructional Positions  | 73,029,087    | 73,426,850    |
| 11   | Update Base Year Expenditures from ASRFIN to Beginning School Year 2021 for Prevailing Salaries for Support Positions | 87,751,295    | 88,298,263    |
| 12   | Update Base Year Expenditures from ASRFIN to Beginning School Year 2021 for Nonpersonal Support Costs                 | 385,540,509   | 391,223,841   |
| 13   | Update Federal Revenue Deduction from Basic Aid   | (193,597,566) | (194,360,821) |
| 14   | Update Support Position Standard (includes Chapter 1 increase to 24 positions per 1,000 ADM)                          | (14,442,485)  | (13,678,862)  |
| 15   | Update Support Costs for Division Superintendents, School Boards, and Specialized Student Support                     | 286,221       | 185,864       |
| 16   | Update Health Care Premium (without inflation)  | 16,608,331    | 16,963,742    |
| 17   | Update Textbook Per Pupil Amount (without inflation)  | 19,922,589    | 20,059,569    |

| <b>Step</b>                              | <b>Action</b>  | <b>FY 2025</b>    | <b>FY 2026</b>    |
|--|--|-------------------|-------------------|
| 18                                       | Update Pupil Transportation Costs (without inflation)  | 64,722,811        | 66,516,670        |
| 19                                       | Update Non-Personal Support Cost Inflation Factors   | 107,218,265       | 107,978,222       |
| 20                                       | Update Salary Inflation Factors (Instructional and Support) to annual 12.46% adopted in Chapter 1, 2023 Special Session I General Assembly | 647,280,214       | 652,042,097       |
| 21                                       | Update English as a Second Language Enrollment Projections   | 7,853,935         | 19,299,209        |
| 22                                       | Update Remedial Summer School Projections  | 5,321,351         | 5,943,313         |
| 23                                       | Update Virginia Preschool Initiative Per Pupil Amount  | 28,010,432        | 28,010,432        |
| 24                                       | Update Academic Year Governor's Schools and Incentive Programs   | 6,674,444         | 6,761,050         |
| 25                                       | Update Categorical Programs  | 2,416,146         | 5,826,169         |
| 26                                       | Update 1-Year Free Lunch Rate and Lottery Programs   | 81,145,910        | 83,334,820        |
| 27                                       | Update Compensation Supplement   | -                 | -                 |
| 28                                       | Update Lottery Proceeds Estimate Based on Chapter 1  | (3)               | (3)               |
| 29                                       | Remove One-Time Programs Funded in Chapter 1   | (438,449,936)     | (438,449,936)     |
| 30                                       | Update Non-Personal Inflation Factors for 5.0 Percent Cap  | (5,442,108)       | (5,599,014)       |
| 31                                       | Update ADM Projections for FY 2025 and FY 2026   | (99,181,961)      | (156,584,467)     |
| <b>Total Current Rebenchmarking Cost</b> |  | <b>72,623,293</b> | <b>87,938,503</b> |