



COMMONWEALTH of VIRGINIA

Department of Planning and Budget

MICHAEL D. MAUL
Director

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November 1, 2025

The Honorable L. Louise Lucas
Chair, Finance and Appropriations Committee
Senate of Virginia
P.O. Box 700
Portsmouth, VA 23705

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

Dear Senator Lucas and Delegate Torian:

In accordance with Item 125, Paragraph B.14, Chapter 725, 2025 Acts of Assembly (the Appropriation Act), I am submitting the enclosed update 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 2026 and the 2026-2028 biennium where such updates are appropriate:

1. Updates for the 2026-2028 biennial SOQ rebenchmarking process;
2. Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery's October 2025 forecast for fiscal year 2026 and for the 2026-2028 biennium;
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;
4. Update of the Composite Index of Local Ability-to-Pay for the 2026-2028 biennium;
5. Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2026-2028 biennium; and
6. Routine updates to Direct Aid to Public Education program data available as of November 1.

Additional routine updates are not available at this time:

1. Update of fall membership and average daily membership projections based on September 30, 2025, fall membership data for fiscal year 2026 and for the 2026-2028 biennium;

2. Update of sales tax revenues for public education for fiscal year 2026 and for the 2026-2028 biennium based on the Virginia Department of Taxation's 2025 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,

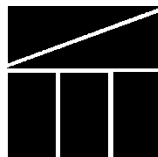
A handwritten signature in black ink that reads "Michael D. Maul". The signature is written in a cursive style with a large, stylized "M" and "D".

Michael D. Maul

Enclosure

c: The Honorable Stephen E. Cummings
The Honorable Aimee Rogstad Guidera
Ms. Anne Oman
Ms. April Kees
Ms. Aimie Gindi
Ms. Emily Anne Gullickson
Ms. Christina Berta

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



**Virginia Department of Planning and Budget
November 1, 2025**

Overview

In accordance with Item 125, Paragraph B.14, Chapter 725, 2025 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.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality and additional Direct Aid to Public Education programs in fiscal year 2026 and the 2026-2028 biennium:

- Updates for the 2026-2028 biennial SOQ rebenchmarking process;
- Update of the Composite Index of Local Ability-to-Pay for the 2026-2028 biennium;
- Update of fringe benefit contribution rates for funded positions in the SOQ model based on Virginia Retirement System board-certified rates for the 2026-2028 biennium;
- Update of the Lottery Proceeds Fund estimate based on the Virginia Lottery's October 2025 forecast for fiscal year 2026 and for the 2026-2028 biennium;
- 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; and
- Routine updates to Direct Aid to Public Education program data available as of report date.

Additional routine updates are not available at this time:

- Update of fall membership and average daily membership projections based on September 30, 2025, fall membership data for fiscal year 2026 and for the 2026-2028 biennium; and
- Update of sales tax revenues for public education for fiscal year 2026 and for the 2026-2028 biennium based on the Virginia Department of Taxation's 2025 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.

The following table details the general fund expenditure impact of these updates to the Standards of Quality and other Direct Aid to Public Education programs for fiscal year 2026 and the 2026-2028 biennium:

	FY 2026 (millions)	FY 2027 (millions)	FY 2028 (millions)
Chapter 725 base (general fund only)	\$10,123.5	\$10,123.5	\$10,123.5
Updates for the 2026-2028 SOQ rebenchmarking process	N/A	\$580.3	\$571.2
Update the Composite Index for the 2026-2028 biennium	N/A	\$(34.8)	\$(34.1)
Update fringe benefit contribution rates for funded positions in the SOQ model	N/A	\$(106.9)	\$(107.0)
Update the Lottery Proceeds Fund estimate	\$(48.3)	\$21.6	\$21.6
Update the latest yearly estimate of school age population	N/A	\$0.2	\$0.2
Additional data updates	\$7.5	\$26.4	\$26.3
Revised total estimated state cost	\$10,082.7	\$10,610.3	\$10,601.7

Details

Pursuant to the *Code of Virginia* and Chapter 725, 2025 Acts of Assembly, DOE calculated the cost of rebenchmarking the Standards of Quality for the 2026-2028 biennium. This process involves technical updates using the current methodology; it does not reflect the impact of any policy changes. Factors updated for the 2026-2028 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 2026-2028 biennium for each division using data from the Department of Taxation. This calculation updates data from tax year 2021 to tax year 2023 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 2022 to 2024. Composite Index values by school division for the 2026-2028 biennium will be released by DOE in November.

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 2026-2028 biennium. The following table provides a comparison of the rates for the 2026-2028 biennium to those currently funded in fiscal year 2026:

Fringe Benefit	FY 2026	2026-2028 Biennium
Retirement	15.23%	13.37%
Retiree Health Care Credit	1.21%	0.88%
Group Life	0.47%	0.42%

Lottery Revenue

The fiscal year 2026 appropriation in Chapter 725 anticipates \$875.3 million in transfers to the Lottery Proceeds Fund and an additional \$24.0 million from the fund's cash balances. The Virginia Lottery Board recommends a revised estimate of fiscal year 2026 profits totaling \$890.3 million. This estimate does not include the residual transfer of fiscal year 2025 profits from August 2025 of \$33.3 million. In total, the revised estimate of transfers to the Lottery Proceeds Fund for fiscal year 2026 is \$923.6 million. When accounting for the additional \$24.0 million appropriated from cash balances, the revised estimate of expected funds available to the Lottery Proceeds Fund for fiscal year 2026 is \$947.6 million. Furthermore, the Virginia Lottery Board recommends estimated profits of \$877.7 million in fiscal year 2027 and \$877.7 million in fiscal year 2028, which is a reduction compared to the Chapter 725 base.

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, DOE calculates an increase in state cost of \$0.2 million in fiscal year 2027 and \$0.2 million in fiscal year 2028.

Additional Data Updates

Additional post-Rebenchmarking technical updates for the 2026-2028 biennium available at this time include an update to Career and Technical Education data supporting Vocational Education program payments under the SOQs, an update to Virginia Language and Literacy Screening System (VALLSS) data supporting Early

Reading Intervention program payments, and an update to projections for teachers and staff eligible for the National Board Certification Program bonuses.

Additional technical updates for fiscal year 2026 available at this time include various updates to Incentive, Categorical, Supplemental, and Lottery programs data.

Detail of these additional updates is included in Appendix A.

Enrollment Changes

The impact of updates to the fall membership and average daily membership enrollment counts for fiscal years 2026, 2027, and 2028 is not available at this time, as DOE has not yet completed its work to verify the fall membership data submitted by school divisions in October 2025. 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.

Sales Tax Revisions

At this time, the Department of Taxation's updated forecast of sales tax revenues for public education for fiscal years 2026, 2027, and 2028 is not available. 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.

Appendix A:

2026-2028 Rebenchmarking Increments from Base Year 2026

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

Step	Action	FY 2027	FY2028
1	Remove Non-Participation Estimate (33.0%) from Virginia Preschool Initiative	60,698,366	60,698,366
2	Remove One-Time Spending	-	-
3	Reset Nonpersonal Support Costs Inflation to 0% in SOQ Model	(88,267,440)	(88,267,440)
4	Remove Compensation Supplement and Personal Services Inflation Factors	(537,809,601)	(537,809,601)
5	Update Fall Membership and Average Daily Membership Projections for FY27 and FY28	(5,937,645)	(4,480,768)
6	Update Special Education Child Counts to December 1, 2024	35,698,987	35,660,102
7	Update Career and Technical Education Enrollment Data	(10,373,406)	(10,292,738)
8	Update Other Funded SOQ Positions (Gifted, Support Technology, etc.)	(677,565)	(543,561)
9	Update Base Year Prevailing SOQ Instructional Salaries	(58,100,873)	(57,993,437)
10	Update Base Year Expenditures from Annual School Report to Beginning School Year 2023 for Prevailing Salaries for Support Positions	189,990,995	189,782,979
11	Update Base Year Expenditures from Annual School Report to Beginning School Year 2023 for Nonpersonal Support Costs	252,868,788	241,889,471
12	Update Federal Revenue Deduction to Basic Aid	(23,020,215)	(22,711,359)
13	Update Support Cap Ratios (maintain 27.89 positions per 1,000 ADM)	-	-
14	Update Support Costs for Division Superintendents and School Boards	411,407	117,886
15	Update Health Care Premium (without inflation)	52,692,362	52,613,799
16	Update Textbook Per Pupil Amount (without inflation)	(645,558)	(644,666)
17	Update Pupil Transportation Costs (without inflation)	69,203,780	65,829,644
18	Update Non-Personal Support Cost Inflation Factors	106,966,780	106,752,452

Step	Action	FY 2027	FY2028
19	Update Salary Inflation Factors (Instructional and Support) to annual 6.09% adopted in Chapter 725, 2025 Acts of Assembly	402,624,281	401,838,836
20	Update English as a Second Language Enrollment Projections	-	-
21	Update Remedial Summer School Per Pupil Amount and Enrollment Projections	(242,145)	837,012
22	Update Virginia Preschool Initiative Per Pupil Amount	16,125,378	16,125,378
23	Update Special Education Add-on	3,740,159	3,739,959
24	Update SOQ Position Bonus	-	-
25	Update Early Childhood and Incentive Programs	20,623,568	20,406,253
26	Update Categorical Programs	2,263,863	5,129,974
27	Update Free Lunch data, Identified Student Percentage data, and Lottery Programs	91,445,794	92,564,202
28	Update Compensation Supplement	-	-
Total Current Rebenchmarking Cost		580,280,060	571,242,743

Additional Technical Updates 2026-2028 Biennium

Step	Action	FY 2027	FY 2028
29	Update Composite Index of Local Ability-to Pay	(34,825,282)	(34,118,944)
30	Update sales tax distributions for school age population	233,129	466,233
31	Update Career and Technical Education data supporting the Vocational Education program	16,928,782	16,959,375
32	Update Retirement and other post-employment benefits	(106,850,730)	(106,999,841)
33	Update VALLSS data supporting Early Reading Intervention program	9,222,789	9,201,759
34	Update National Board Certification Program	230,000	172,500
35	Update Lottery Proceeds forecast	21,610,173	21,610,182

Additional Technical Updates FY 2026

Step	Action	FY 2026
1	Update Governor's School program	240,449
2	Update School Breakfast Incentive program	(1,486,390)
3	Update Foster Care program	71,976
4	Update Individualized Student Alternative Education Program (ISAEP) distributions	-
5	Update Categorical programs	50,409
6	Update Early Reading Intervention program	8,849,032
7	Update distributions for Virginia Public School Authority-funded programs	-
8	Update National Board Certification Program	(197,500)
9	Update Lottery Proceeds forecast	(48,291,513)