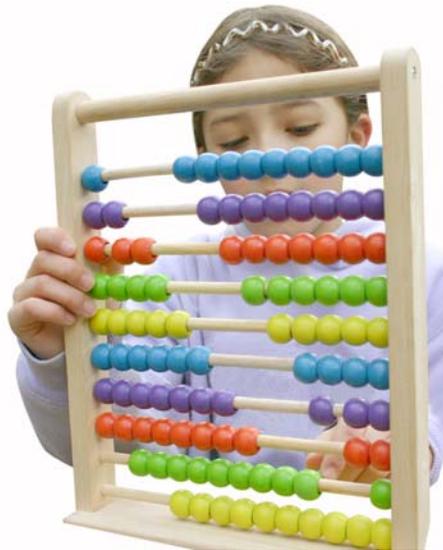


Funding K-12 Education In The Commonwealth

School Finance 101



July 2009

Virginia Education Association

Division of Government Relations, Finance,
Research, and Retirement Services

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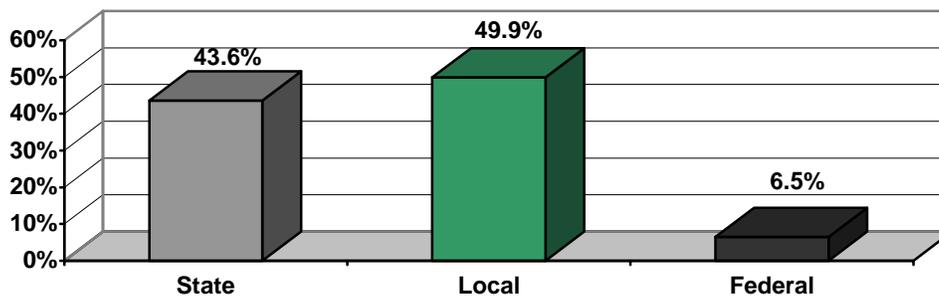
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Funding K-12 Education in the Commonwealth

Overview

The three main players in education funding in Virginia are the state, local and Federal governments. On average for 2007-08, the State paid 44% of total expenditures; localities picked up 50%; and Federal money made up 6%.¹ Because of the major influx of federal dollars under the Economic Stimulus Act (American Recovery and Reinvestment Act or ARRA), the federal share will be substantially higher in 2009-10 and 2010-11.

Total K-12 Costs 2007-08 by Funding Source

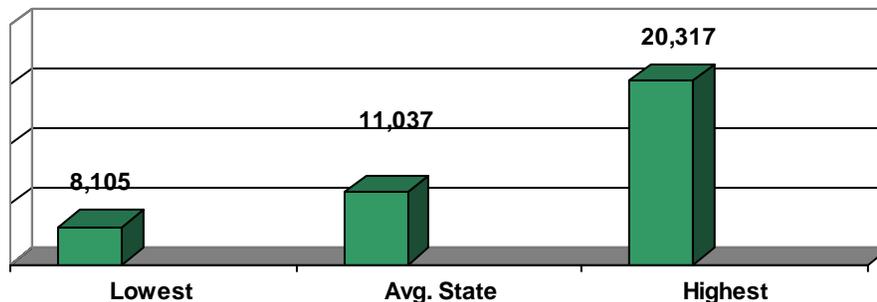


Source: VDOE 2007-08 Annual Supts. Report, Table 15

While on average local governments picked up half of the cost of education, the percentage paid by each locality varies dramatically. In Scott County, the locality paid for 17% of all K-12 costs in 2007-08; in contrast, Falls Church provided 85%.²

Total expenditures for K-12 education in 2007-08 were over two times greater in certain school divisions than in others, ranging from \$8,100 per pupil in the lowest division to \$20,300 per pupil in the highest division. More funding means more computers, newer textbooks and smaller classes-- factors which impact the learning environment.

Per Pupil Funding 2007-08



Source: VDOE, "Superintendent's Annual Report", Table 15

The appendix of this booklet shows the per pupil expenditures ranked for each school division.

¹ State share includes funds from the State sales tax.

² Superintendents Annual Report 2007-08 VDOE table 15.

The amount spent per student across the 132 school divisions differs because of:

- the way the State structures its funding formula and
- varying community demands for educational services and their different abilities to pay for education.

The State support formula, based on its minimum educational standards, does not meet its goal of smoothing out the inequities in funding, primarily because the standards are lower than what most communities want. As a result, local school divisions exceed the State standards. Local governments are providing the funding for the enhanced programs themselves.

The level of state financial support for our schools is inadequate. According to a JLARC January 2008 Report, Virginia ranked 33rd in the nation in the amount of State funding per pupil.³ VEA believes that it is virtually impossible for a state highly dependent on local funding for education to achieve funding equity across its local school divisions. Virginia has the dubious distinction of possessing one of the most inequitable systems of funding K-12 education in the United States.



The Virginia Model of Public School Finance

In Virginia, the State and the local school division share responsibility for paying for K-12 education. Revenue for public schools comes primarily from local governments, the State and a small portion contributed by the Federal government and other miscellaneous sources.

The State provides funding based on the standards that it has established. The State specifies, for example, how many teachers there must be by grade level for a set number of students. For other costs, such as support staff and maintenance, the State looks at the actual cost of various services, on average, and provides a share of those costs.* The local share of costs is calculated on a sliding scale, designed to require more local money from affluent communities and less from poorer ones.

*2010 budget has the support staff calculation at one support person for every four instructional positions or 13,000 fewer support positions.

³ JLARC Virginia Compared to the Other States (January 2008) 2004-05 Ranking

Funding for educational programs is broken into categories:

- ◆ Standards of Quality programs (SOQ);
- ◆ School Facilities;
- ◆ Incentive programs;
- ◆ Categorical programs;
- ◆ Lottery Funded Programs;
- ◆ Supplemental Assistance Programs; and,
- ◆ State Fiscal Stabilization Fund (ARRA funds).

The SOQ programs are required foundation programs. School Facilities funds are used for capital costs, a category eliminated in 2009-10. Incentive courses are optional educational offerings. Categorical programs are often predicated on State or Federal statutes. Lottery Funded Programs include At-Risk Funding, K-3 Class Size Reduction funds and others. Supplemental Assistance Programs cover such programs as Jobs for Va. Graduates, Project Discovery and National Board Bonuses. The State Fiscal Stabilization Fund is the portion of ARRA that is directed towards alleviating reductions in school funding. A listing of all funding formulae is in the Appendix.

Distribution of State Funding by Funding Category

Category of State Funds	2009	2010
SOQ	89.23	85.03
School Facilities	0.44	0.00
Incentive	2.42	1.16
Categorical	0.98	0.86
Lottery-Funded	6.82	7.02
Supplemental Asst.	0.11	0.12
Fiscal Stabilization	0.00	5.80
	100.00	100.00

Most expenses are categorized by the State as SOQ, the category that includes regular classroom activities. SOQ costs make up about 90% of the State funding to localities, although 2009-10 sees a decline in percentage of about 4%. In dollars, including the ARRA money, K-12 state funding declines about 0.3% between this year and next.

Each local school division is required to share in the cost of K-12 required programs and most of the optional programs, if they choose to participate. On a statewide basis, the state assumes responsibility for funding 55% of the basic programs and the localities fund 45%.

Localities must pick up a percentage of costs based on their ability-to-pay or **Local Composite Index**, calculated on the local adjusted gross income, real estate values and sales tax revenue.⁴ For example, Lee County's local composite index is .1552 for

⁴ The Local composite Index is also used in some other categories to determine local share.

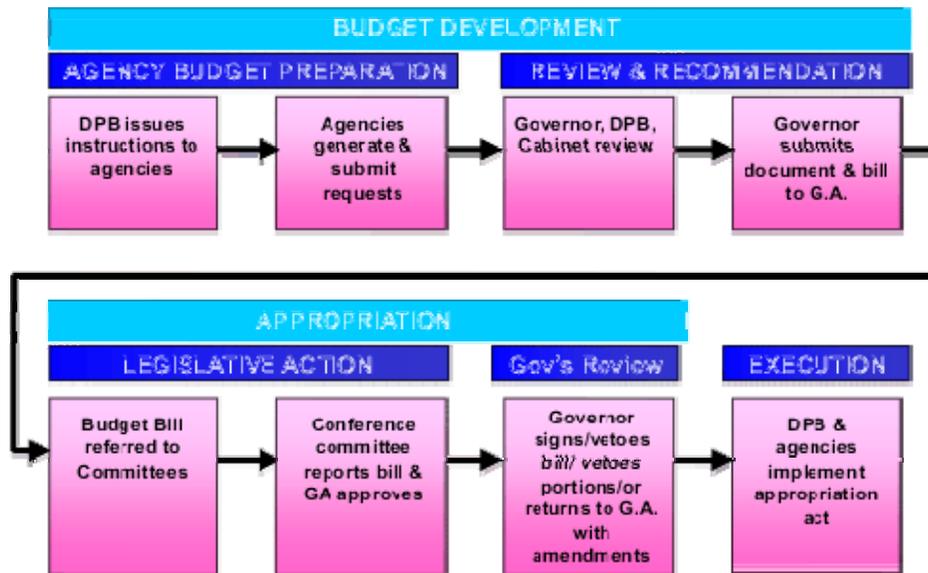
2008-09. For every \$1000 that is spent on the required programs, Lee must provide \$155.20. On the other hand, Arlington's LCI of .8000 means that they are responsible for \$800 of every \$1000 of costs for SOQ programs. The State caps the local contribution at 80%.

Local governments provide funding through the School Board budget, which is approved by the elected local officials for the county or city. The locality, using the information on the number of students, available State funding and the demand within the community for educational services, appropriates funding for the local school division.

In 2008, as in most years, all local school divisions spent much more than the required match for the SOQ. Community standards demand better services than the floor established by the State. These additional local funds create disparities among Virginia school divisions. On average local school divisions spent **twice as much as was** required, ranging from .62% more in Nottoway to 263% in Sussex. For 2007-08, the required local contribution was \$3.2 billion; the actual local expenditure was \$6.3 billion

State Biennial Budget

The State develops and approves a two-year budget for the Commonwealth in even numbered years. Amendments are considered in odd-numbered years for the second year of the biennium. The steps in the process are shown below.



DPB is Dept of Planning and Budget, GA is General Assembly.

Rebenchmarking

Critical to the amount of State funding for K-12 is the recommendation from the Virginia Department of Education (VDOE) as to the amount needed to fund the status quo in future years. As part of each biennial budget cycle the VDOE updates or “rebenchmarks” basic data for funding the K-12 education. Rebenchmarking updates information on the number of students, salary costs, the local composite index (local ability to pay measure), transportation, utilities, textbooks and other costs.

This baseline of costs drives much of the ultimate appropriation from the State. The cost of rebenchmarking for the 2008-10 biennium was \$1 billion.

The bulk of the expense for K-12 is included under the Standards of Quality. SOQ’s set out the number of teachers based on enrollment (Appendix B), textbook costs, maintenance expenses and other costs for basic school outlays.

Teacher salaries are the largest component of K-12 SOQ costs. The State provides funding for teachers according to the criteria in the SOQ’s⁵ and the Standards of Accreditation (SOA). Using these standards, the number of instructional personnel is determined for each school in a school division. The number of educators is multiplied by the linear weighted average salary.⁶ The fringe benefits that the State recognizes -- VRS, Social Security, health and group life insurance - are included.

Other costs are also factored into the rebenchmarking number. The average number of support positions in school divisions is funded at an average salary rate to determine personnel support costs. For 2010, the Governor proposed capping the number of support positions in order to drive down costs. This did not get accepted as new policy; however, funding for support personnel was adjusted for 2009-10 to accept the savings from the proposal with directions to the State Board of Education to investigate this option more thoroughly. Fringe benefit rates are calculated. Non-personnel support costs are adjusted for inflation variables, although the 2007 General Assembly session arbitrarily capped inflation for non-personnel costs at 5%. This means that despite the doubling of gasoline costs, the State will only recognize a 5% increase. Examples of support costs include: administrative support, professional development, superintendent’s salary, school board cost, pupil transportation, maintenance, support fringe benefits, and school nurses.

Based upon instructional and support costs, an SOQ cost is determined. Total SOQ costs minus the one-and one eighth cent sales tax dedicated for education equals the cost of the required programs. The State then translates this into a per-pupil cost. These expenses are split between state and local government based on the number of children in each local school division and the Local Composite Index.

⁵ Substantial enhancements were included for 2005-06 in the SOQ’s, for the first time in over a decade. DOE is now required to review standards annually.

⁶ The average salary is based on the linear weighted average of three years past. So, for example, 2008-09 average salaries are based on 2005-06 data.

WORKSHEET – SOQ FUNDING

Total Cost of SOQ Program _____

- | | | | |
|----|---|--|-----------------------------------|
| 1. | - | | Sales Tax |
| 2. | = | | Total SOQ Cost Less Sales Tax |
| 3. | / | | Total Avg. Daily Membership (ADM) |
| 4. | = | | Per Pupil SOQ Costs |

LOCAL SHARE

Estimated Local ADM _____

- | | | | |
|----|---|--|----------------------------|
| 5. | X | | Per Pupil SOQ Costs |
| 6. | = | | Total Cost in Locality |
| 7. | X | | Local Composite Index |
| 8. | = | | Required Local Expenditure |

STATE SHARE

Total Cost of SOQ Program _____ (from #6 above)

- | | | | |
|-----|---|--|---------------------------------|
| 9. | - | | Required Local Expenditure (#8) |
| 10. | = | | State Required Expenditure |

Example: SOQ Cost Sharing — Local and State

Total State Calculated SOQ Costs	9,500,000,000
Less Sales Tax	1,150,000,000
SOQ Less Sales Tax	8,350,000,000
State Avg. Daily Membership	1,200,000
Per Pupil Total SOQ Costs	6,958
Local ADM	5,100
Local Total SOQ Cost	38,487,500
Local Composite Index	0.3255
Local Share	11,551,181
Total I SOQ Cost for Locality	38,487,500
Less Local Share	11,551,181
State Share SOQ Cost	23,936,319

Health Insurance Costs for SOQ Funded Positions

The cost of health insurance is a component of the support costs under the SOQ funding formula. The established “prevailing” premium rate for 2008-09 was \$5,188 for each instructional and full-time support position funded by the Standards of Quality. This amount is based on the composite of the average cost that **school divisions contribute** for single and family health insurance coverage. It does not count the amount that school employees pay out-of-pocket for health insurance. The average rate contributed by school divisions for single and family coverage for 2007-08 was \$5,600, leaving a funding gap for health insurance costs of over \$400 per person. These funds are not provided for positions not included in the State’s required complement of educators.

Although health care premium costs are included in the calculation of SOQ costs, there is no requirement that school divisions use these funds to cover all, or any part, of the school employee’s health care premium costs.

One and One-Eighth Percent State Sales Tax Revenue

The State distributes the one and one-eighth percent sales tax earmarked for education to localities on the basis of school age population and subtracts the sales tax revenue from the Basic State Aid calculation before determining total SOQ costs. The effect of this action is to reduce the total cost of the SOQ’s that is shared between the State and the localities. In 2007-08, revenue from the earmarked sales tax provided approximately 9% of the total cost of school operation.

In 2004 the Special Session of the General Assembly increased sales tax money for K-12 education by ¼ cent (the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund). Of the ¼ cent, 50% is distributed through the SOQ formula and takes into account the Local Composite Index (an indicator of local ability-to-pay). The remaining 50% is distributed to local school divisions based solely on school age population.

Additional Direct Aid to Public Education Funding

In addition to funding for the Standards of Quality, about 10-15% of state aid provides funding to localities for Facilities, Incentive, Categorical, Lottery and Supplemental Assistance Programs. For 2009-10 and for 2010-11, the fiscal stabilization money under ARRA is also distributed to localities. Many of these state accounts are based on the Local Composite index and most require matching local funds. ARRA money does not require a match. Appendix A shows all of the state programs and their details. A few are explained below.

Additional State Aid for Public Education



- Facilities
 - School Construction
- Incentive
 - Governor Schools
 - Technology
- Lottery Funded
 - K-3 Class Size Reduction
 - Early Reading Intervention
 - Algebra Readiness
 - Va Pre-school Initiative
- Categorical
 - Electronic Classroom
 - Sp. Ed.- State Operated Programs
- Supplemental Assistance
 - National Board
 - Project Discovery
 - Teacher Scholarship Loan Program
- ARRA

Facilities or School Construction Grants

The State does not contribute to most of the costs of building, renovating or equipping classrooms. The state provides a base of \$100,000 per locality and adds a per pupil amount to that, the amount depends upon remaining funds, which localities must match.

For 2008-09, school construction funding from the State is \$27.5 million. In contrast, the amount expended by school divisions on capital outlay and debt was \$1.9 billion for 2007-08. Low interest loans can be available through the Literary Fund. The per-pupil Lottery distribution can also be used for capital expenses.

The Economic Stimulus Act provides substantial resources for school construction and renovation. At this point, regulations surrounding that funding are not clear.

Incentive - Technology

The State provides funds for technology through the Virginia Public School Authority. The State pays \$26,000 for every school and \$50,000 more for each division. School divisions are required to provide a 20% match. (See Appendix A.)

Lottery Revenues

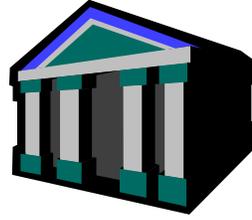
The Virginia Lottery advertises that its profits go to support public schools. They do-- but most of the lottery money supplants what was previously funded by the General Fund.

In 2008-09, two thirds of lottery money paid for programs that used to be in the SOQ programs and funded through the General Fund. The remaining 30%, \$198 per pupil in 2008-09, was distributed on a per pupil basis. The per-pupil distribution must be used solely for educational purposes. At least 50% of this money must be used for non-recurring costs such as school construction and other related capital outlay and debt service payments. Lottery proceeds distributed on a per pupil basis must be matched by the local school division based on local ability-to-pay.

For 2010, the amount distributed to school divisions for operating and construction costs funded through the Lottery falls dramatically to 13% of the total lottery proceeds. The per-pupil funds drop to \$91 per pupil. The General Assembly did loosen requirements so that the money can be used for any public education cost and requires no local match. More programs previously funded by the state General Fund are now lottery-funded.

Summary

Local governments, the State and to a smaller degree, the Federal government, all pay a portion of costs for K-12 education in Virginia. While the State says it pays 55% of costs, it limits the programs in which it participates and uses unrealistic standards for class size and other determinants of school costs. As a result, local governments pay most of the cost for public education. Because their resources and their communities differ, the range of equipment, buildings, class size and course offerings is very disparate in Virginia. An education in Locality A is often far better than what can be provided in Locality B.



Legal and Administrative Background

The Bill of Rights and the Education Article (Article VIII, Sections 1 and 2) of the Virginia Constitution designate these State responsibilities:

- ◆ establish goals for our public schools;
- ◆ establish Standards of Quality; and,
- ◆ determine the manner in which funds are provided; and apportion the costs between the state and local government.

The Constitution of Virginia

Bill of Rights

Article I. Section 15.

“...That free government rests, as does all progress, upon the broadest diffusion of knowledge, and that the Commonwealth should avail itself of those talents which nature has sown so liberally among its people by assuring the opportunity for their fullest development by an effective system of education throughout the Commonwealth.” *Emphasis added.*

Education

Article VIII. Section 1. Public Schools of High Quality to be maintained.

“The General Assembly shall provide for a system of free public elementary and secondary school for all children of school age throughout the Commonwealth, and shall seek to ensure that an educational program of high quality is established and continually maintained.”

Article VIII. Section 2. Standards of Quality; State and Local Support of Public Schools.

“Standards of Quality for the several school divisions shall be determined and prescribed from time to time by the Board of Education, subject to revision only by the General Assembly.

The General Assembly shall determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed standards of quality, and shall provide for the apportionment of the cost of such program between the Commonwealth and the local units of government comprising such school divisions. Each unit of local government shall provide its portion of such cost by local taxes or from other available funds.”

SOQ Constitutional Provisions

The Virginia Constitution (1971) provides the following procedure for establishing and funding the Standards of Quality:

1. The Board of Education establishes the Standards of Quality.
2. The General Assembly may revise the Standards established by the Board.
3. The General Assembly must establish the cost of implementing the Standards of Quality.
4. The General Assembly must establish the fair share of this cost to be borne by the local school divisions.
5. The General Assembly must fund the remaining portion of the cost.

Appendix A

**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
SOQ	Basic Aid	Basic Aid includes funding for the basic instructional positions derived from minimum student to teacher ratios required by the Standards of Quality (SOQ) [see §22.1-253.13:2, Code of Virginia] for each school division with a minimum ratio of 51 instructional personnel for each 1,000 pupils; plus all other personal and non-personal support costs funded through the SOQ.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) - \text{Sales Tax}) \times (1 - \text{Composite Index}) = \text{State Share}$
SOQ	Career and Technical Education	State funds are provided to support career and technical education courses for students in grades 6-12. The funding supports the salary cost of instructional positions based on the class size maximums established by the Board of Education [see 8VAC20-120-150].	$((\text{Per Pupil Amount} \times \text{Unadjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$
SOQ	English as a Second Language	State funds are provided to support local school divisions providing the necessary educational services to children not having English as their primary language. The funding supports the salary and benefits cost of instructional positions at a standard of 17 positions per 1,000 ESL students.	$((\text{Seventeen teachers per 1,000 ESL students} \times \text{Average salary and fringe benefits}) \times (1 - \text{Composite Index})) = \text{State Share}$
SOQ	Gifted Education	Gifted education funding supports the state share of one full-time equivalent instructional position per 1,000 students in adjusted ADM.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$
SOQ	Group Life	This funding supports the state share of cost of employer contributions to the Virginia Retirement System (VRS) for Group Life benefits for funded SOQ instructional positions.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$

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Type	Program	Program Description	Formula Description
SOQ	Prevention, Intervention, and Remediation	SOQ Prevention, Intervention, and Remediation funding provides remedial services to children who need additional instruction. Funding is disbursed to local school divisions to support the state share of additional professional instructional positions ranging from a pupil teacher ratio of 10:1 to 18:1 based on the division-level failure rate on the SOL English and math tests for all students at risk of educational failure (the three-year average free lunch eligibility data is used as a proxy for at risk students).	$((\text{Per Pupil Amount} \times \text{Unadjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$
SOQ	Sales Tax	A portion of net revenue from the state sales and use tax dedicated to public education is distributed to counties, cities, and towns in support of the Standards of Quality. The distributions are based on each locality's pro-rata share of school age population as based on the 2005 triennial Census count of school aged population for FY 2009 and the 2008 triennial Census count of school aged population for FY 2010.	$((\text{School division's triennial Census count} / \text{Statewide total school age population}) \times \text{Total state 1-1/8\% sales tax estimate}) = \text{Local Distribution}$
SOQ	Social Security	This funding supports the state share of cost of the employer share of Social Security costs for funded SOQ instructional positions.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share.}$
SOQ	Special Education	Funding for special education provides for the state share of salary costs of instructional positions generated based on the staffing standards for special education. Each special education student is counted in their respective school and up to three disabilities per student may be recognized for calculating instructional positions for funding.	$((\text{Per Pupil Amount} \times \text{Unadjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$

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Type	Program	Program Description	Formula Description
SOQ	Textbooks	State law requires that students attending public schools receive free textbooks. State funding is provided on a per pupil basis based on the statewide prevailing per pupil cost of textbooks incurred by school divisions.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share}$
SOQ	VRS Retirement	This funding supports the state share of cost of employer contributions to VRS for retirement benefits for funded SOQ instructional positions.	$((\text{Per Pupil Amount} \times \text{Adjusted ADM}) \times (1 - \text{Composite Index})) = \text{State's Share.}$
School Facilities	School Construction Grants Program (Funded in FY 2009 Only)	The School Construction Grants Program provides grant funding to school divisions for nonrecurring expenditures, including: school construction, additions, infrastructure, site acquisition, renovations, technology, and other expenditures related to modernizing classroom equipment, payments to escrow accounts, school safety equipment or renovations, and debt service payments on school projects completed during the last ten years.	Floor funding of \$100,000 for each school division. The balance of all remaining funds are distributed based on the division's proportion of prior year unadjusted ADM weighted by the composite index: $(\text{Prior year unadjusted ADM} \times (1 - \text{Composite Index})) = \text{Weighted ADM}; ((\text{Weighted ADM} / \text{Statewide weighted ADM}) \times \text{Remaining grant balance}) = \text{Local Distribution}$
Incentive	Governor's Schools	These programs give gifted and talented high school students an opportunity to study with fellow students of similar interest and abilities from across the Commonwealth. The schools offer specialized curriculum offerings. State funds are provided to assist with the state share of the incremental costs of operations during the school year. These funds are not to be used for capital outlay, structural improvements, renovations, or fixed equipment costs. Funds may be used for the purchase of instructional equipment.	The academic year Governor's School per pupil amount is multiplied by the actual or projected enrollment of each division participating in the Governor's School and adjusted for the composite index. For summer Governor's Schools and Summer Foreign Language Academies, the Board of Education provides assistance for the state share of the incremental cost based upon the greater of the state share of the composite index or 50 percent.

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Type	Program	Program Description	Formula Description
Incentive	ISAEP	An Individual Student Alternative Education Plan (ISAEP) may be developed when a student demonstrates substantial need for an alternative program, meets enrollment criteria, and demonstrates an ability to benefit from the program. The need is determined by a student's risk of dropping-out of school. Programs must comply with the provisions of §22.1-254D; Code of Virginia. Note: This account was moved to the Lottery Service Area in FY 2010.	Funding is based on submitted reimbursement requests, up to the approved allocation for the year.
Incentive	Project Graduation	The purpose of Project Graduation is to provide funding for school divisions to assist eleventh and twelfth grade students to pass end-of-course Standards of Learning assessments in English/Reading, English/Writing, and Algebra I in order to graduate with at least a standard diploma. Note: This account was moved to the Lottery Service Area in FY 2010.	Grant awards to school divisions on an individual and regional basis to support the Senior Year component and the Summer, Continuation, and Career Prep Academies components.
Incentive	Special Education - Regional Tuition	Regional tuition reimbursement funding provides for students with low-incidence disabilities who can be served more appropriately and less expensively in a regional program than in more restrictive settings. A joint or a single school division operates regional special education programs. These programs accept eligible children with disabilities from other local school divisions. All reimbursement is in lieu of the per pupil basic operation cost and other state aid otherwise available. Note: This account was moved to the Lottery Service Area in FY 2010.	Reimbursement of the state share (based on the composite index) of approved tuition costs for eligible students with disabilities at approved regional special education programs.

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Incentive	Special Education – Vocational Education	These funds are used to support a variety of activities designed to strengthen the preparation of disabled students for entering the work place after completion of high school. Activities include vocational evaluation, training service through eight regional technical assistance centers, and initiatives to support employment.	Divisions are reimbursed for the approved costs of the services provided.
Incentive	Supplemental Basic Aid	This program allows eligible school divisions to enter into certain cost-savings agreements with a contiguous school division for the consolidation or sharing of educational, administrative, or support services. Upon approval of the cost-savings agreement, the school division then receives the state share for Basic Aid computed on the basis of the composite index of local ability-to-pay of the contiguous school division. Only school divisions with fewer than 350 students in ADM of the previous year are eligible for this funding. Note: This account was moved to the Lottery Service Area in FY 2010.	(((Basic Aid Per Pupil Amount x Adjusted ADM) - Sales Tax) x (1 - Contiguous School Division's Composite Index)= State Share
Incentive	Virginia Middle School Teacher Corps	The purpose of the Virginia Middle School Teacher Corp is to provide the structure and funding incentives for school divisions to hire experienced mathematics teachers for middle schools that have been designated as “at risk” in mathematics as a result of being accredited with warning in mathematics or not meeting the annual measurable objectives in mathematics required for Adequate Yearly Progress (AYP). Note: This account was moved to the Lottery Service Area in FY 2010.	Funding is provided on a per teacher amount to support salary incentives and training stipends.

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Incentive	VPSA Technology	VPSA Technology program provides grant funding for school divisions to purchase additional technology to support the SOL Technology Initiative. Eligible schools include those reporting membership as of September 30th, as well as district and regional centers including vocational centers, special education centers, alternative education centers, academic year Governor's Schools, and the Schools for the Deaf and Blind.	Number of eligible schools x \$26,000 per school + \$50,000 for each division. Requires a 20% match from school divisions. Schools and district centers that serve only pre-kindergarten students are not eligible for this grant.
Categorical	Adult Education	State funds are provided to improve educational opportunities for adults and to encourage the establishment of adult education programs that will enable all adults to acquire basic educational skills necessary to function in a literate society. The program also enables adults to complete secondary school, obtain a GED, or to benefit from job training and retraining programs.	Reimbursements to school division adult education programs are based on 60% of the fixed cost-per-class or fixed cost-per-student.
Categorical	Adult Literacy	State funds for Adult Literacy are appropriated to provide basic educational skills to adults who lack skills necessary for literate functioning.	Funding provided for grants to adult literacy programs delivered by community-based organizations, higher education institutions, and state agencies.
Categorical	Alternative Education	State funds for Alternative Education programs are provided for the purpose of educating certain expelled students and, as appropriate, students who received long-term suspensions from public schools, and students returned to the community from the Department of Youth and Family Services. Note: This account was moved to the Lottery Service Area in FY 2010.	Funding is based on a per pupil amount calculated using a program staffing model. From this calculated per pupil amount, the basic aid per pupil amount by division is deducted to determine an "add-on" per pupil amount for each division for alternative education. The number of alternative education slots per division is then multiplied by the add-on per pupil amount and adjusted for the composite index.

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2008-10**

Type	Program	Program Description	Formula Description
Categorical	Career and Technical Education - Adult Education	Adult Education funds provide adult education for persons who have academic or economic disadvantages, and who have limited English-speaking abilities. These funds pay for full-time and part-time teacher salaries and supplements to existing teacher salaries. Note: This account was moved to the Lottery Service Area in FY 2010.	Funding is based on a pro-rata distribution of a fixed per pupil amount calculated based on prior year expenditures.
Categorical	Career and Technical Education - Equipment	Career and technical allocations for equipment are used in the following areas: Agricultural Education; Business and Information Technology; Career Connections; Family and Consumer Sciences; Health and Medical Science Education; Marketing; Technology Education; and Trade and Industrial Education. Note: This account was moved to the Lottery Service Area in FY 2010.	Vocational education equipment allocations are calculated using a base division allocation of \$2,000, with the remainder of funding distributed on the basis of student enrollment in secondary vocational-technical courses. State funds received for secondary vocational-technical equipment must be used to supplement, not supplant, any funds currently provided for secondary vocational-technical equipment within a locality.
Categorical	Career and Technical Education - Occupation Prep	Occupation Prep funds are used to provide a portion of the salary of principals and assistant principals of divisional vocational technical centers and assistant principals at regional vocational centers, which are not required in the Standards, and therefore, not funded through Basic Aid. These funds also pay a portion of the cost of extended contracts for vocational teachers. Note: This account was moved to the Lottery Service Area in FY 2010.	Funding is based on a pro-rata distribution of a fixed per pupil amount calculated based on prior year expenditures.

Appendix A

**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
Categorical	Virtual Virginia	The Virtual Virginia program creates a statewide delivery of credit courses and staff development programs to address equity and educational disparity problems in schools across Virginia. The Virtual Virginia program is a distance-learning program that provides advanced level courses to students in areas of the Commonwealth where a qualified teacher is unavailable, or the number of qualifying students is too few to justify employment of a full-time teacher. Note: This account was moved to the Lottery Service Area in FY 2010.	State funds are provided to four local school divisions to hire teachers, aides, and technicians to operate each virtual Virginia studio. Funding is provided based on projections provided by DOE's Technology division to cover costs related to production, broadcasts, and transponders.
Categorical	School Lunch	School divisions participating in the National School Lunch Program get cash subsidies and donated commodities from the U.S. Department of Agriculture for each meal they served. The lunches must meet Federal requirements, and they must offer free or reduced-price lunches to eligible children. This state reimbursement program is required by the federal National Nutrition School Lunch Program, the School Breakfast Program, and the After School Snack Program.	State funds are required to meet maintenance of effort and match requirements for the federal funds received for the school lunch programs. For FY 2009, the rate of reimbursement is determined by the number of reimbursable lunches served during the previous year.
Categorical	Special Education Categorical - Homebound	Homebound funding provides for the continuation of educational services for students who are temporarily confined to their homes for medical reasons. State funds reimburse school divisions for a portion of the hourly rate paid to teachers employed to provide homebound instruction to eligible children.	These funds are based on prior year expenditure data. Divisions are reimbursed a percentage of hourly payments to teachers employed to provide homebound instruction to eligible children. The maximum hourly rate is established annually by the Department of Education, and the reimbursement percentage is based on each locality's composite index.

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**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
Categorical	Special Education Categorical - Jails	Local school divisions are reimbursed for the instructional costs of providing special education and related services to children with disabilities in regional or local jails.	Reimbursement of instructional costs of special education for children in regional or local jails.
Categorical	Special Education Categorical - State Operated Programs	Education services are continued for students placed in state-operated facilities. State statute requires the state to provide appropriate education to all children in state hospitals, clinics, detention homes, and the Woodrow Wilson Rehabilitation Center. Education services are provided through contracted services with local school divisions. Funded positions are based on caseloads. A funding amount per position (to cover both personal and non-personal costs) is applied to each position to determine the total amount of funding for each division that provides education services in state operated programs.	Divisions under contract to provide education services are reimbursed for the approved costs of the services provided.
Lottery Funded Programs	At-Risk	State payments for at-risk students are disbursed to school divisions based on the estimated number of federal free lunch participants in each division to support programs for students who are educationally at-risk. Funding is provided as a percentage add-on to Basic Aid to support the additional costs of educating at-risk students.	Funding is based on the percentage of students eligible for free lunch x Current year unadjusted ADM = Estimated number of students eligible for free lunch x (Add-on weight ranging from 1% to 12% based on free lunch eligibility rate) x Basic aid per pupil amount x (1 - Composite Index) x 100% = State Share

Appendix A

**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
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Type	Program	Program Description	Formula Description
Lottery Funded Programs	Early Reading Intervention	<p>The Early Reading Intervention program is designed to reduce the number of students needing remedial reading services. Program funds are used by local school divisions for: special reading teachers; trained aides; volunteer tutors under the supervision of a certified teacher; computer-based reading tutorial programs; aides to instruct in class groups while the teacher provides direct instruction to the students who need extra assistance; or extended instructional time in the school day or year for these students.</p>	<p>Funding for FY 2007 is based on a ratio of one teacher per five students in kindergarten through third grade at 100% of the estimated population for kindergarten, 50% of the estimated population for grades 1 and 2, and 25% of the estimated population for grade 3. Funding for FY 2008 is based on a ratio of one teacher per five students in kindergarten through third grade at 100% of the estimated population for kindergarten and grades 1 and 2, and 25% of the estimated population for grade 3. The number of eligible students is based on the percentage of students needing services as determined by the PALS (Phonological and Literacy Screening) diagnostic or free lunch eligibility in the absence of PALS data. The 5:1 ratio is applied to the eligible student population and then multiplied by 36 weeks X 2 1/2 hours per week = hours of service x hourly rate) x (1 - SOQ Composite Index) = State Share</p>
Lottery Funded Programs	Enrollment Loss	<p>Enrollment loss funding is provided to school divisions to offset some of the loss of funds due to declining enrollment from one year to the next. Current and prior year adjusted average daily membership is used to calculate declining enrollment.</p>	<p>Division's Share Basic Aid Entitlement/Division's Adjusted ADM = State Share of Per Pupil Amount for Enrollment Loss for that Division. Division's Prior Year ADM – Division's Current Year ADM = Division's Number of Students Lost Number of students lost weighted at: 85% for Composite Index of .0000 - .1999 70% for Composite Index of .2000 - .3499 45% for Composite Index of .3500 - .4999 30% for Composite Index of .5000 or more. Weighted number of students lost x state share of per pupil amount = State Share Enrollment Loss</p>

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**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
Lottery Funded Programs	Foster Care	Foster care funding provides reimbursement to localities for educating students in foster care that are not residents of their school district. State funds are provided for prior year local operations costs for each pupil not a resident of the school division providing his education if the student has been placed in foster care or other custodial care within the geographical boundaries of such school division by a Virginia agency, whether state or local, which is authorized under the laws of the Commonwealth to place children. Funds also cover children who have been placed in an orphanage or children's home which exercises legal guardianship rights, or who is a resident of Virginia and has been placed, not solely for school purposes, in a child-caring institution or group home. Funds are also provided to support handicapped children attending public school who have been placed in foster care or other such custodial care across jurisdictional lines.	Prior year total per pupil expenditure for operations for each division from Table 15 of the Superintendent's Annual Report are divided by the number days of instruction in each division to yield a cost per day per division. Cost per day figure x Number of days eligible foster care students were served by the school division as reported by the division = Standard Foster Care Reimbursement Statewide weight for handicapping condition x Standard foster care cost per day = Total special education foster care cost per day. Total special education foster care cost per day x total number of student days reported in each handicapping condition = State cost for special education foster care. The sum of the cost for each handicapping condition = Special Education Foster Care Reimbursement
Lottery Funded Programs	K-3 Primary Class Size Reduction Program	State funding is disbursed to school divisions as an incentive payment for reducing class sizes in grades Kindergarten through three below the required SOQ standard of a 24:1 pupil-teacher ratio. Payments are based on the incremental cost of providing the lower class sizes based on the lower of the statewide average per pupil cost of all Divisions or the actual division per pupil cost. Schools with free lunch eligibility percentages of 16 percent and greater are eligible for funding. The required ratios range from 20:1 and may go as low as 14:1 based on the free lunch eligibility rate of the eligible school.	((K-3 funded fall membership for eligible schools x eligible per pupil amount) x (1 - Composite Index)) = State Share

Appendix A

**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
Lottery Funded Programs	Remedial Summer School	Remedial Summer School programs provide additional education opportunities for at-risk students. These funds are available to school divisions for the operation of programs designed to remediate students who are required to attend such programs during a summer school session, or during an intersession in the case of year-round schools. Note: This account was moved to SOQ Accounts in FY 2010.	$((\text{Per Pupil Amount} \times \text{Eligible Number of Students}) \times (1 - \text{Composite Index})) = \text{State Share}$
Lottery Funded Programs	School Breakfast Program	Local school food authorities administer the School Breakfast Program at the local level. Participating schools must serve breakfasts that meet federal nutrition standards, and must provide free and reduced-price breakfasts to eligible children. This funding provides an incentive to increase student participation in the school breakfast program and to leverage increased federal funding resulting from higher participation.	This state reimbursement program provides up to a \$0.20 per meal reimbursement to school divisions that increase the number of breakfasts served to students. The reimbursement is based on breakfast meals served in the prior year in excess of the fiscal year 2004 baseline.
Lottery Funded Programs	SOL Algebra Readiness	Funding is based on the estimated number of 7th and 8th grade students who are at-risk of failing the Algebra I end-of-course. This number is approximated based on the free lunch eligibility percentage for the school division.	$((\text{Total number of students in eligible grades} \times \text{Division free lunch eligibility percentage}) / 10 [\text{student to teacher ratio of 10 to 1}]) \times 36 \text{ weeks} \times 2\text{-}1/2 \text{ hours of instruction per week} = \text{Hours of service} \times \text{Hourly costs of teaching services} \times (1 - \text{Composite Index}) = \text{State Share.}$

Appendix A

**Direct Aid to Public Education - Program and Formula Descriptions
Based on the General Assembly's Adopted Amendments to
HB 1600/SB 850 as Introduced
2008-10**

Type	Program	Program Description	Formula Description
Lottery Funded Programs	Virginia Preschool Initiative	The Virginia Preschool Initiative provides funding for programs for unserved, at-risk four-year-old children, which include quality preschool education, health services, social services, parental involvement, and pupil transportation. Programs must provide full-day or half-day and, at least, school-year services. Educational services may be delivered by both public and private providers.	Projected number of four-year-olds x percent of students eligible for free lunch = Estimated number of four-year-olds at-risk (minus) the number of four-year-olds served by Head Start programs – 100 percent of at-risk four-year-olds. Estimated unserved at-risk four-year-olds x \$6,000 (or \$3,000 for half-day programs) x (1 – Composite Index (capped at 0.5000 in FY 2010) = State Share
Lottery Funded Programs	Additional Support for School Construction and Operating Costs	Lottery proceeds are allocated directly to school divisions to fund the state share of cost for the following programs: Remedial Summer School, Foster Care, Enrollment Loss, At-Risk, Virginia Preschool Initiative, Early Reading Intervention, Mentor Teacher, K-C Primary Class Size, School Breakfast, and SOL Algebra Readiness. The balance of the Lottery proceeds, once the above-mentioned accounts are funded, are allocated on a per pupil basis directly to school divisions as Additional Support for School Construction and Operating Costs.	((Per Pupil Amount x Adjusted ADM) x (1 – Composite Index)) = State Share

Appendix B

	Standards of Quality			Accreditation Standards					
	Class Size Standards	Division Standards	Division English Standards	Teachers	Guidance Counselors*	Librarian	Assistant Principal	Principal	
Kindergarten	24; 29 with aide	24 to 1		Elementary					
1st Grade	30			0.2 per 100 pupils 500 = 1 *or Reading Specialists	<300 = 0.5 >300 = 1	<600 = 0 600-899 = 0.5 >900 = 1	<300 = 0.5 >300 = 1		
2nd Grade	30								
3rd Grade	30								
4th Grade	35	25 to 1		Middle					
5th Grade	35			25 to 1	25 to 1	0.2 per 80 pupils 400 = 1	<300 = 0.5 300-999 = 1 >999 = 2	<600 = 0 1 per 600 pupils	1
6th Grade	35								
7th Grade	35	24 to 1		Secondary					
8th Grade				25 to 1	0.2 per 70 pupils 350 = 1	<300 = 0.5 300-999 = 1 >999 = 2	<600 = 0 1 per 600 pupils	1	
9th Grade									
10th Grade									
11th Grade									
12th Grade									

Appendix C

Per Pupil Expenditures for 2007-08

School Division	Per Pupil Expenditure	Rank	School Division	Per Pupil Expenditure	Rank
Accomack	10,519	47	Frederick	10,284	54
Albemarle	12,518	16	Fredericksburg	13,122	12
Alexandria	18,622	3	Galax	8,904	126
Alleghany	11,030	31	Giles	9,188	112
Amelia	8,977	122	Gloucester	9,833	73
Amherst	9,329	105	Goochland	10,594	44
Appomattox	9,125	116	Grayson	9,910	70
Arlington	20,317	1	Greene	9,780	78
Augusta	9,337	103	Greensville/Emporia	10,399	51
Bath	14,055	9	Halifax	10,454	49
Bedford County/City	8,753	128	Hampton	10,388	52
Bland	9,301	106	Hanover	9,192	111
Botetourt	9,577	92	Harrisonburg	11,664	24
Bristol	9,973	66	Henrico	8,913	125
Brunswick	10,885	37	Henry	9,401	98
Buchanan	10,919	34	Highland	14,983	6
Buckingham	10,869	38	Hopewell	10,124	60
Buena Vista	8,994	120	Isle Of Wight	10,182	57
Campbell	8,697	129	King & Queen	14,105	8
Caroline	9,352	101	King George	8,105	132
Carroll	9,750	80	King William	9,660	86
Charles City	13,075	14	Lancaster	11,214	27
Charlotte	9,605	91	Lee	11,859	23
Charlottesville	15,514	4	Lexington	9,575	93
Chesapeake	10,690	41	Loudoun	13,440	11
Chesterfield	9,344	102	Louisa	9,725	84
Clarke	9,365	100	Lunenburg	10,214	56
Colonial Beach	11,138	28	Lynchburg	10,902	35
Colonial Heights	11,439	25	Madison	9,742	82
Covington	12,087	21	Manassas	12,748	15
Craig	9,243	108	Manassas Park	12,116	20
Culpeper	9,447	97	Martinsville	10,352	53
Cumberland	11,129	29	Mathews	9,567	94
Danville	10,114	61	Mecklenburg	9,090	118
Dickenson	10,110	62	Middlesex	9,954	67
Dinwiddie	9,075	119	Montgomery	9,798	77
Essex	10,039	63	Nelson	10,972	32
Fairfax County/City	13,620	10	New Kent	9,172	113
Falls Church	18,747	2	Newport News	10,565	45
Fauquier	10,925	33	Norfolk	10,763	40
Floyd	9,120	117	Northampton	11,949	22
Fluvanna	9,251	107	Northumberland	10,228	55
Franklin Co.	9,640	88	Norton	9,196	110
Franklin City	12,308	18	Nottoway	10,146	58
Orange	8,894	127	Scott	9,680	85
Page	9,936	69	Shenandoah	9,804	76
Patrick	9,651	87	Smyth	9,615	90
Petersburg	10,437	50	Southampton	10,146	58
Pittsylvania	8,643	131	Spotsylvania	9,822	75

Appendix C

School Division	Per Pupil Expenditure	Rank	School Division	Per Pupil Expenditure	Rank
Poquoson	8,665	130	Stafford	9,335	104
Portsmouth	10,542	46	Staunton	10,502	48
Powhatan	9,887	71	Suffolk	9,830	74
Prince Edward	10,618	43	Surry	14,973	7
Prince George	8,915	124	Sussex	15,257	5
Prince William	10,682	42	Tazewell	8,940	123
Pulaski	9,162	114	Virginia Beach	10,796	39
Radford	9,748	81	Warren	8,990	121
Rappahannock	12,217	19	Washington	9,243	108
Richmond County	9,835	72	Waynesboro	9,996	64
Richmond City	13,088	13	West Point	10,890	36
Roanoke Co.	9,487	95	Westmoreland	9,978	65
Roanoke City	11,247	26	Williamsburg/James CI	11,109	30
Rockbridge	9,772	79	Winchester	12,387	17
Rockingham	9,633	89	Wise	9,733	83
Russell	9,448	96	Wythe	9,156	115
Salem	9,939	68	York	9,368	99
			State		11,037

Operations include regular day school, school food services, summer school, adult education.

Source: Table 15 Annual Superintendents Report