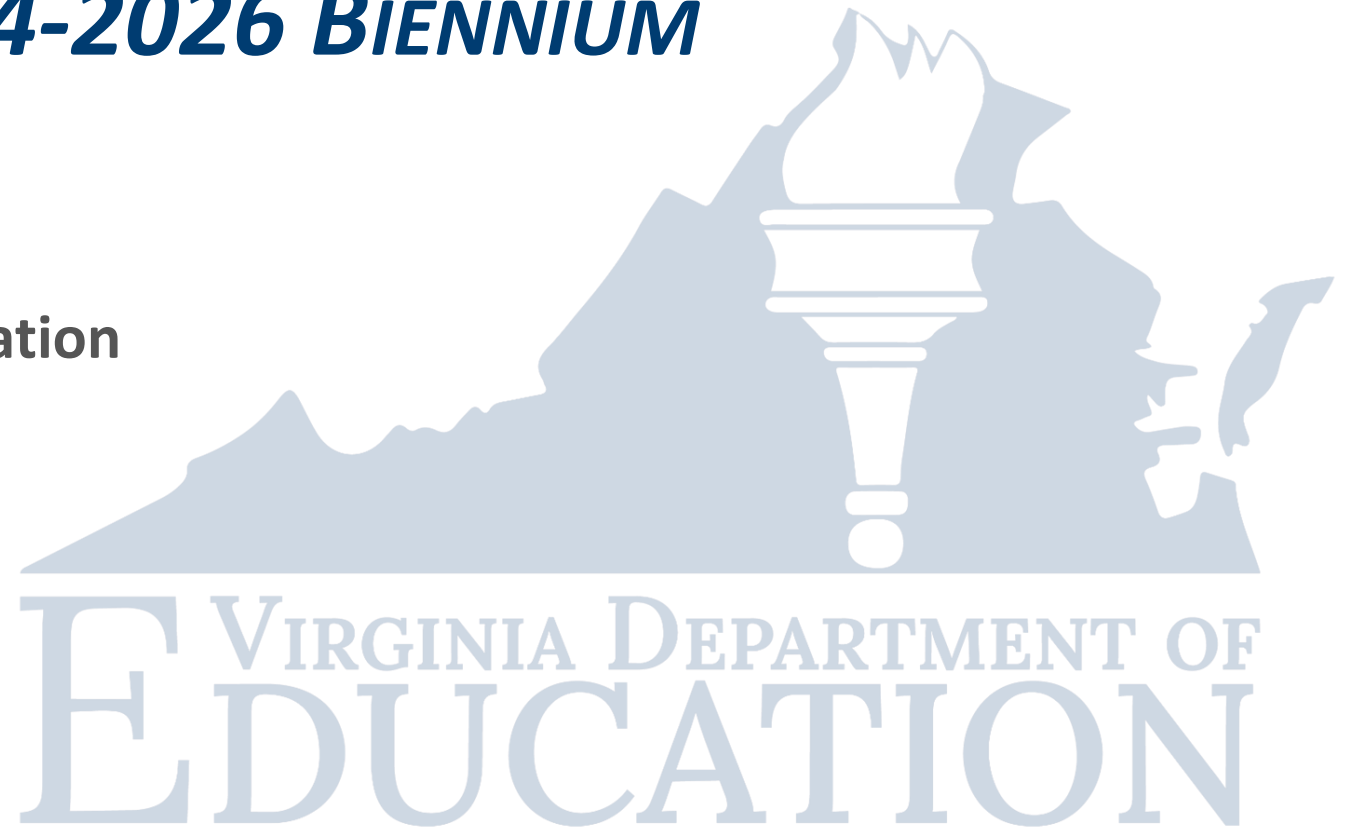


# ***REBENCHMARKING THE COST OF THE DIRECT AID TO PUBLIC EDUCATION BUDGET FOR THE 2024-2026 BIENNIUM***

**Presented to Board of Education**

**December 12, 2023**



# OVERVIEW OF REBENCHMARKING PROCESS

- Rebenchmarking:
  - ✓ is the process of updating the cost inputs used in the *Direct Aid to Public Education* funding formulas - both Standards of Quality (SOQ) and non-SOQ - with the latest data available;
  - ✓ occurs every two years for the upcoming biennium;
  - ✓ may increase or decrease state and local shares of funding; and,
  - ✓ does not change funding methodology.

*\*The Standards of Quality is the Commonwealth's required, minimum foundation program for K-12 education.*

# OVERVIEW OF REBENCHMARKING PROCESS

1. Costs are projected forward (from the FY24 base) in incremental steps to account for changes in enrollments, funded salaries/benefits, support costs, inflation, and other cost factors that change over time
2. VDOE began the calculations of these steps in June and finished in November
3. A cross-functioning team uses data sources from:
  - ✓ Department of Taxation
  - ✓ Department of Planning & Budget
  - ✓ Virginia Lottery
  - ✓ Department of Education
4. Largest cost impact is on the various SOQ funding accounts paid on a per pupil basis

# 1. Update SOQ Rebenchmarking Data Inputs:

- \*Staffing Standards
- Inflation Factors
- Federal Programs Revenue
- Funded Salaries
- SOL Scores
- Support Costs
- Fringe Benefits
- Number of Students
- Free Lunch

## 2. Calculate SOQ Cost Components by Div.:

- Instructional Positions
- Support Positions (capped)
- Support Non-personnel

Deduct Federal Revenues  
(portion funding support costs)

## 3. Generate SOQ Per Pupil Amts. by Div.

Division  
Per Pupil  
Amounts



Latest  
Division  
ADM



Total Costs  
By Divisions



Sales Tax  
From  
Basic Aid



Composite  
Index

*\*only altered as an SOQ policy change.*



# State & Local Shares

# HOW STUDENTS GENERATE SOQ FUNDING

## The process:

1. By division, SOQ staffing standards are applied to student enrollments to determine required positions and funded salary/benefits cost;
2. Total cost for each SOQ account is converted to a per pupil amount across all students in the division using March 31 Average Daily Membership (ADM);
3. Per Pupil Amounts, Projected ADM, and the Composite Index are then used to:
  - 1) calculate the state share of costs for each division, and then
  - 2) rolled up into the state budget and used for initial payments to divisions.
4. At the end of each year, actual 3/31 ADM determines final per pupil state funding for each division, and remaining payments are adjusted up or down based on divisions' actual ADM.

*Note: the appropriation act requires SOQ per pupil funding to be paid using March 31 ADM.*

# 2024-2026 REBENCHMARKING - STATE COST TO DATE

This process is a standard, bi-annual process.

- The state cost (to date) to rebenchmark the Direct Aid budget for the 2024-2026 biennium (over the FY24 base) is \$165.8 million:
  - FY 2025 - \$75.2 million
  - FY 2026 - \$90.6 million
- Various cost factors increasing rebenchmarking cost:
  - Higher base-year non-personnel support costs and local salaries in school divisions
  - State salary increases in 22-24 (12%) reflected in the funded salary amounts for 24-26
  - Higher free lunch rates
- Various cost factors decreasing rebenchmarking cost:
  - Declining enrollment projections
  - Removal of FY24 line-items not continuing into 24-26 biennium
  - ESSER funds included w/ other federal funds in the Federal Revenue Deduct step

# OVERVIEW OF 24-26 REBENCHMARKING STEPS TO DATE

Step #	Incremental Rebenchmarking Update	FY 2025	FY 2026	Total Cost
1	Remove Non-Participation Rate (20.0 Percent) for Virginia Preschool Initiative	\$29,070,918	\$29,070,918	\$58,141,836
2	Remove One-Time Spending Programs (Rebenchmarking Hold Harmless)	(\$177,441,317)	(\$177,441,317)	(\$354,882,634)
3	Reset Nonpersonal Support Costs Inflation Factors to 0% in SOQ Model	(\$75,564,966)	(\$75,564,966)	(\$151,129,932)
4	Remove Personal Services Inflation and Compensation Supplement	(\$576,684,267)	(\$576,684,267)	(\$1,153,368,534)
5	Update Fall Membership and March 31 ADM for FY25 and FY26	\$26,065,883	\$66,162,975	\$92,228,858
6	Update December 1 SPED Child Counts	\$52,329,871	\$52,820,177	\$105,150,048
7	Update CTE Enrollment	\$4,338,653	\$4,313,441	\$8,652,094
8	Update SOL Failure Rates and Free Lunch	\$6,234,579	\$6,295,551	\$12,530,130
9	Update Other Instructional Positions	\$1,606,458	\$1,768,983	\$3,375,441
10	Update Prevailing Salaries for Instructional Positions	\$73,029,087	\$73,426,850	\$146,455,937
11	Update Base Year Expenditures from ASRFIN to Beginning School Year 2021 for Prevailing Salaries for Support Positions	\$87,751,295	\$88,298,263	\$176,049,558
12	Update Base Year Expenditures from ASRFIN to beginning School Year 2021 for Nonpersonal Support Costs	\$385,540,509	\$391,223,841	\$776,764,350
13	Update Federal Revenue Deduction from Basic Aid (includes ESSER funds)	(\$193,597,566)	(\$194,360,821)	(\$387,958,387)
14	Update Support Position Standard (includes Chapter 1 increase to 24 positions per 1,000 ADM)	(\$14,442,485)	(\$13,678,862)	(\$28,121,347)
15	Update Support Costs for Division Superintendents, School Boards, and Specialized Student Support	\$286,221	\$185,864	\$472,085
16	Update Health Care Premium (without inflation)	\$16,608,331	\$16,963,742	\$33,572,073
17	Update Textbook Per Pupil Amount (without inflation)	\$19,922,589	\$20,059,569	\$39,982,158
18	Update Pupil Transportation Costs (without inflation)	\$64,722,811	\$66,516,670	\$131,239,481
19	Update Non-Personal Support Cost Inflation Factors	\$101,776,157	\$102,379,208	\$204,155,365
20	Update Salary Inflation Factors (Instructional and Support) to annual 12.46%, as adopted in Chapter 1, Special Session I General Assembly	\$647,280,214	\$652,042,097	\$1,299,322,311
21	Update English as a Second Language Enrollment Projections	\$7,853,935	\$19,299,209	\$27,153,144
22	Update Remedial Summer School Projections	\$5,321,351	\$5,943,313	\$11,264,664
23	Update Virginia Preschool Initiative Per Pupil Amount	\$28,010,432	\$28,010,432	\$56,020,864
24	Update Academic Year Governor's Schools and Incentive Programs	\$6,674,444	\$6,761,050	\$13,435,494
25	Update Categorical Programs	\$2,416,146	\$5,826,169	\$8,242,316
26	Update 1-Year Free Lunch Rate and Lottery Programs	\$81,145,910	\$83,334,820	\$164,480,730
27	Update Lottery Proceeds Estimate Based on Chapter 1	(\$3)	(\$3)	(\$6)
28	Remove One-Time Programs Funded in Chapter 1	(\$438,449,936)	(\$438,449,936)	(\$876,899,872)
29	Update ADM Projections for FY 2025 and FY 2026	(\$99,181,961)	(\$156,584,467)	(\$255,766,428)
30	Update School-Age Population Estimates for FY25 and FY26	\$361,620	\$361,628	\$723,248
31	Update Lottery Proceeds	\$2,254,048	\$2,254,046	\$4,508,094
Total 24-26 Rebenchmarking Cost to Date		\$75,238,961	\$90,554,177	\$165,793,139

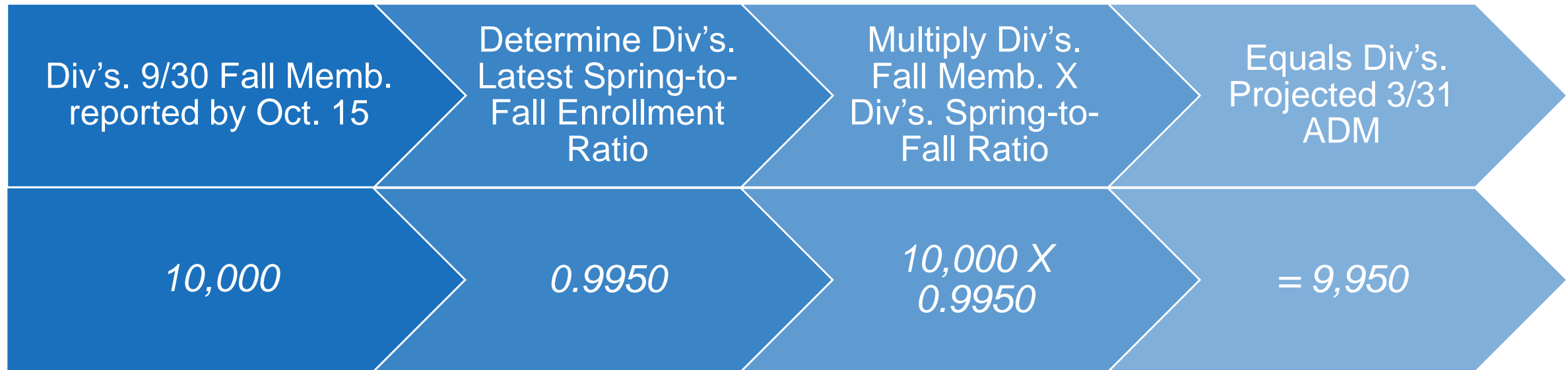
# FUNDAMENTAL CALC. AFFECTING STATE COST

## March 31 Average Daily Membership (ADM):

- Each fall, VDOE calculates spring (March 31) ADM for each division, which is used in initial rebenchmarking estimates and then updated until actual 3/31 ADM is collected for each year of the biennium
- As shown on the next slide, the calculation uses divisions' Fall Membership and the very close relationship between spring and fall enrollment to project their spring ADM



# CALCULATING MARCH 31 ADM - EXAMPLE



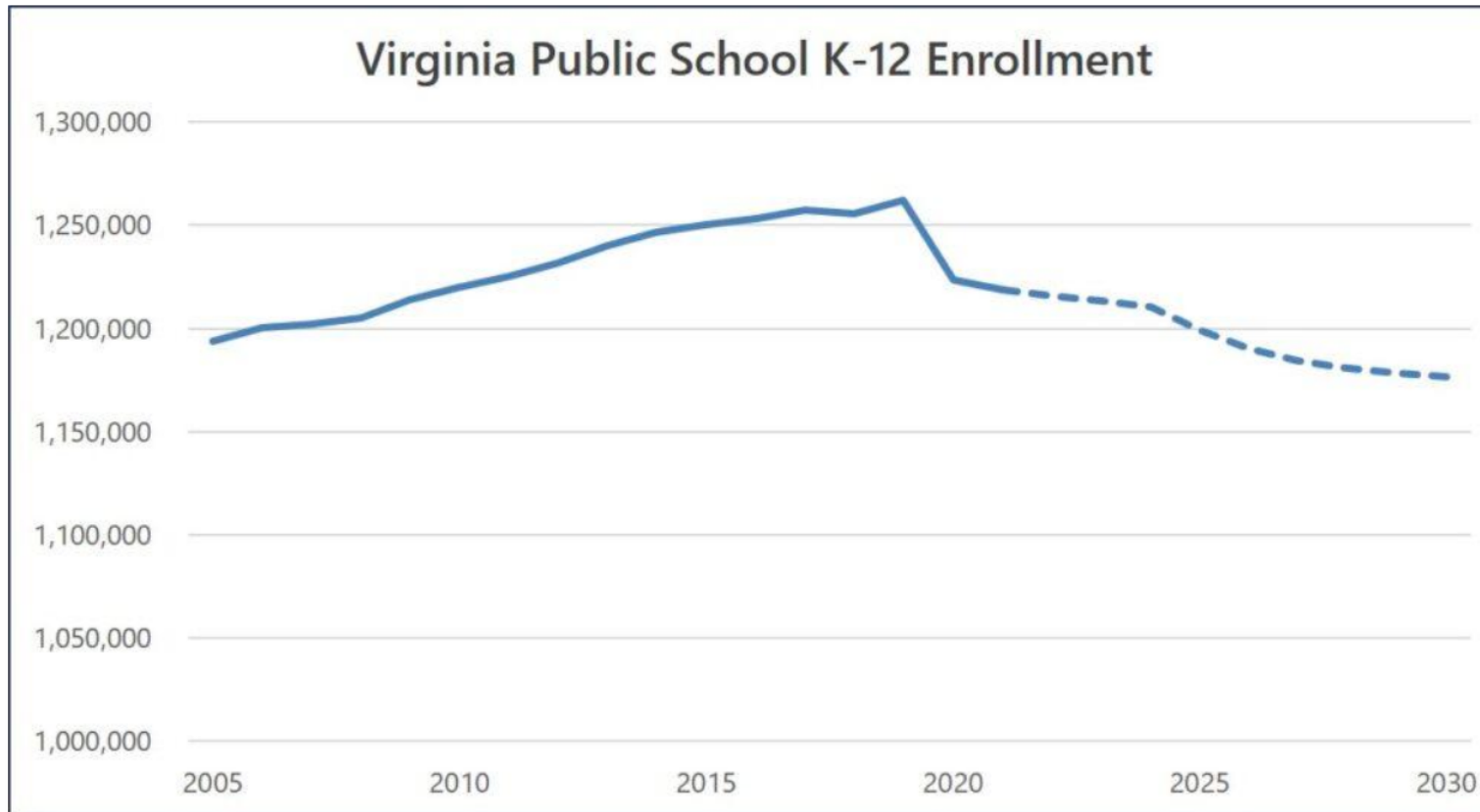
*\*Note: divisions' final per pupil state funding each fiscal year are based on their 3/31 ADM reported each spring.*

# VA K-12 ENROLLMENT - DECLINING TREND

- After some enrollment recovery in 2022-23 following the pandemic, K-12 enrollment is projected to decline due to lower birth rates as seen in the Fall 2023 data:

School Year	Total Fall K-12 Enrollment	Difference from Prior Year	% Difference from Prior Year
2011-2012	1,225,620	-	-
2012-2013	1,232,103	6,483	0.53%
2013-2014	1,240,109	8,006	0.65%
2014-2015	1,246,989	6,880	0.55%
2015-2016	1,250,093	3,104	0.25%
2016-2017	1,253,481	3,388	0.27%
2017-2018	1,257,677	4,196	0.33%
2018-2019	1,255,443	(-2,234)	(-0.18%)
2019-2020	1,262,449	7,006	0.56%
2020-2021	1,223,511	(-38,938)	(-3.08%)
2021-2022	1,218,786	(-4,725)	(-0.39%)
2022-2023	1,226,988	8,202	0.67%
2023-2024	1,224,900	(-2,088)	(-0.17%)

# UVA WELDON COOPER CENTER ENROLLMENT PROJECTIONS



- **VA Birthrates have declined 11% since 2007**
- **Prior to the pandemic, lower K-12 enrollment was predicted in the 2020's**
- **Smaller kindergarten classes affected by lower VA birth rates now entering public schools**
- **The pandemic accelerated growth in private K-12 education. 6% enrolled in private schools in 2010's vs 12% in 2022**

Source: VDOE Fall Count, future enrollment projected by the Weldon Cooper Center

# REBENCHMARKING STEPS IMPACTED BY STUDENT ENROLLMENT (FALL MEMBERSHIP & ADM)

	Step #	Incremental Rebenchmarking Update	FY 2025	FY 2026	Total Cost
June '23 prediction →	5	Update Fall Membership and March 31 ADM for FY25 and FY26	\$26,065,883	\$66,162,975	\$92,228,858
Initial Nov. '23 prediction →	29	Update ADM Projections for FY 2025 and FY 2026	(\$99,181,961)	(\$156,584,467)	(\$255,766,428)

- Initial Nov. 2023 ADM projection and state cost impact in Step 29 reflects new data on declining K-12 enrollment in Va.
- Final FY25 and FY26 ADM projections for Gov's. budget are pending

# LOCAL COMPOSITE INDEX FORMULA

**Formula established in the appropriation act** - used to determine state and local shares of SOQ and other Direct Aid funding with a local match

- Expressed as a percentage of local formula values relative to statewide values as a measure of local ability-to-pay for public education
- Index values weighted to derive overall 55% state/45% local share of cost; capped at 0.8000
- Uses True Value of Property, VA Adjusted Gross Income (AGI), and Taxable Retail Sales obtained from Dept. of Taxation; these data are expressed in the formula on a per student and per capita basis with various weights applied
- 24-26 Composite Index values published on 11/27/23

*Note: state cost impact of 24-26 Comp. Index update is pending*

# COMPOSITE INDEX FORMULA

Average Daily Membership (ADM) Component =

$$.5 \left[ \frac{\text{LOCAL TRUE VALUES} \div \text{DIVISION ADM}}{\text{STATE TRUE VALUES} \div \text{STATE ADM}} \right] + .4 \left[ \frac{\text{LOCAL ADJUSTED GROSS INCOME} \div \text{DIVISION ADM}}{\text{STATE ADJUSTED GROSS INCOME} \div \text{STATE ADM}} \right] + .1 \left[ \frac{\text{LOCAL TAXABLE RETAIL SALES} \div \text{DIVISION ADM}}{\text{STATE TAXABLE RETAIL SALES} \div \text{STATE ADM}} \right]$$

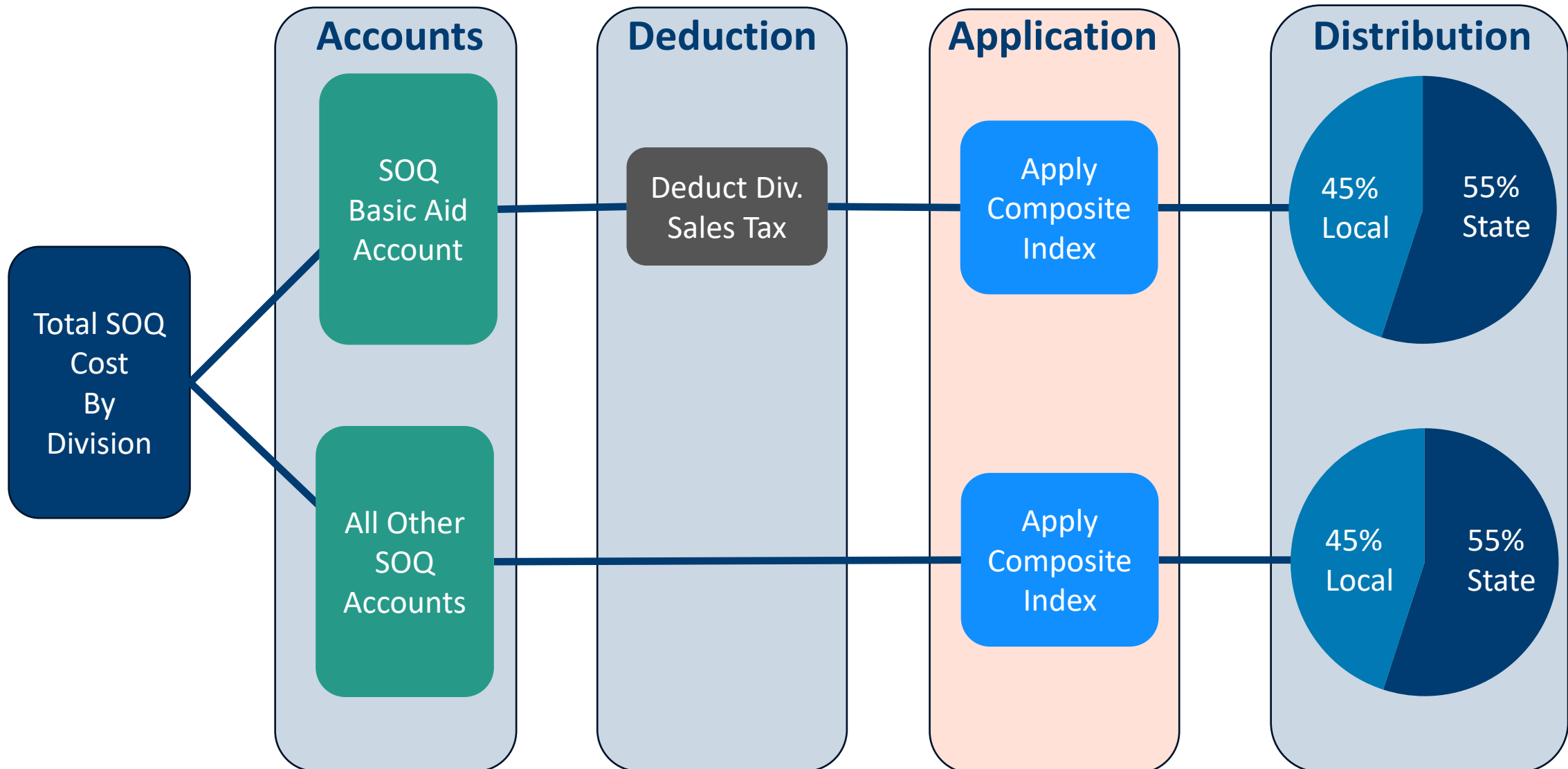
Population Component =

$$.5 \left[ \frac{\text{LOCAL TRUE VALUES} \div \text{LOCAL POPULATION}}{\text{STATE TRUE VALUES} \div \text{STATE POPULATION}} \right] + .4 \left[ \frac{\text{LOCAL ADJUSTED GROSS INCOME} \div \text{LOCAL POPULATION}}{\text{STATE ADJUSTED GROSS INCOME} \div \text{STATE POPULATION}} \right] + .1 \left[ \frac{\text{LOCAL TAXABLE RETAIL SALES} \div \text{LOCAL POPULATION}}{\text{STATE TAXABLE RETAIL SALES} \div \text{STATE POPULATION}} \right]$$

Final Composite Index =

$$\left( .6667 \times \text{ADM COMPONENT} + .3333 \times \text{POPULATION COMPONENT} \right) \times 0.45$$

# HOW THE LOCAL COMPOSITE INDEX IS APPLIED



# PENDING UPDATES AFFECTING STATE COST

1. Revised local composite index for the 2024-2026 biennium (update formula base-year data from 2019 to 2021) – *VDOE*
2. Final revisions to enrollment projections (Fall Membership and March 31 ADM) – *VDOE*
3. Revised sales tax projections – *Dept. of Taxation*
4. Revised VRS fringe benefit rates – *Virginia Retirement System*