

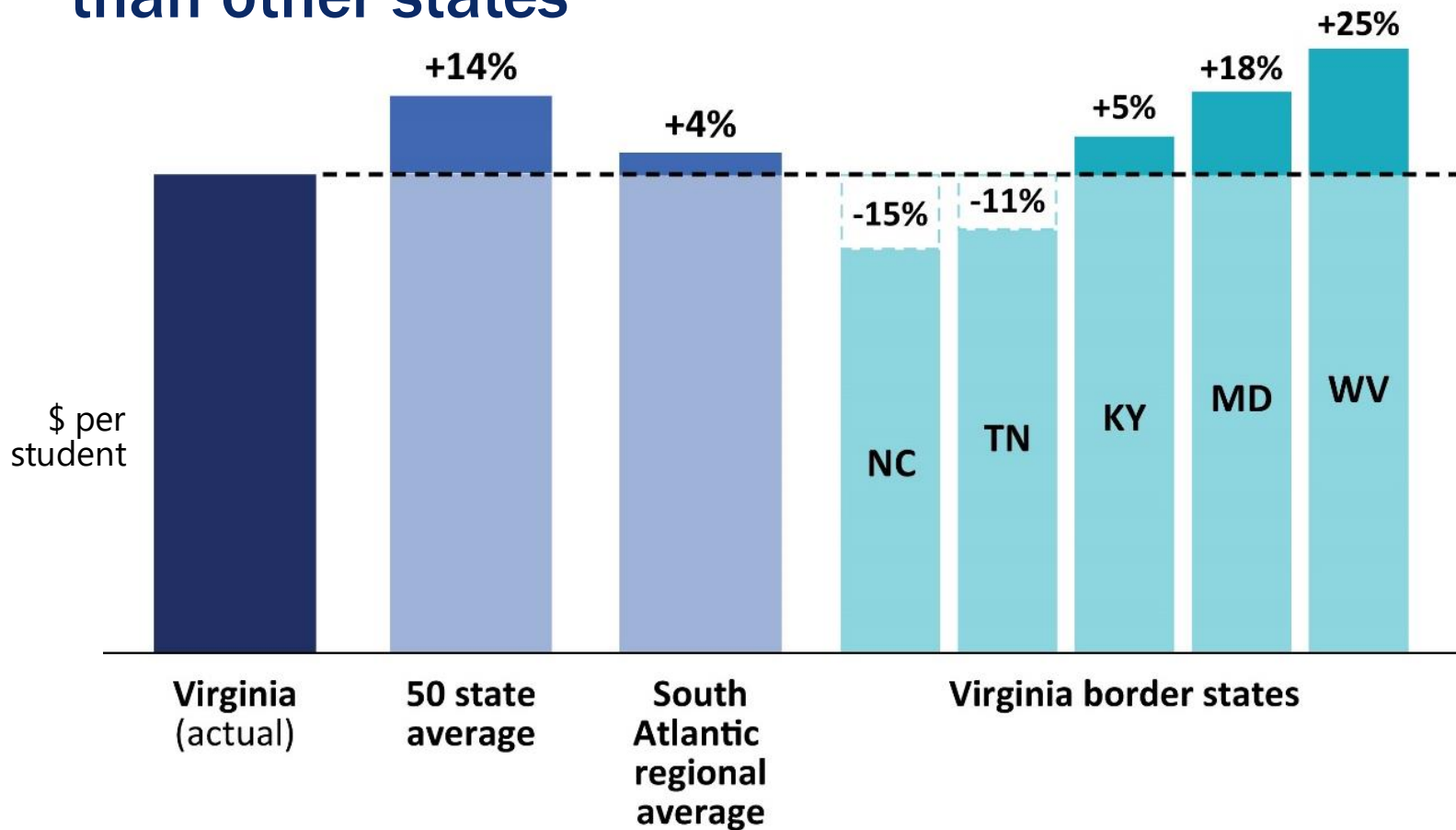


Virginia's K-12 Funding Formula

Background

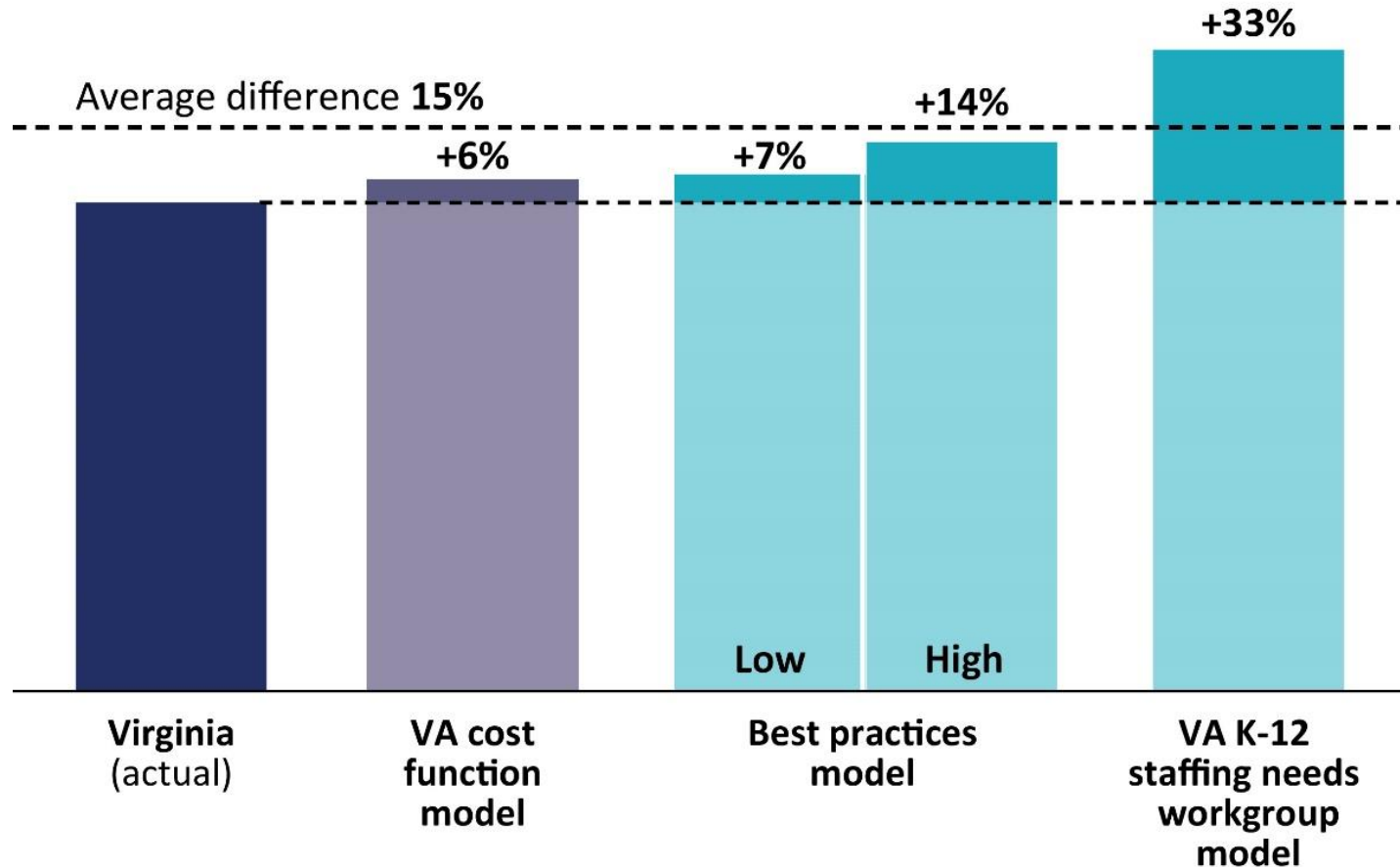
- SOQ formula is primary way state determines amount of K-12 education funding
- Sufficient funding is essential for a high quality education system
- Though essential, funding alone does not ensure high quality education system

Virginia divisions received less funding per student than other states



NOTE: Adjusted, FY20 data. Includes funding for K-12 operations from all sources (federal, state, and local). Analysis controls for differentials in statewide cost of labor.

Funding models estimated Virginia school divisions need 6% to 33% more total funding

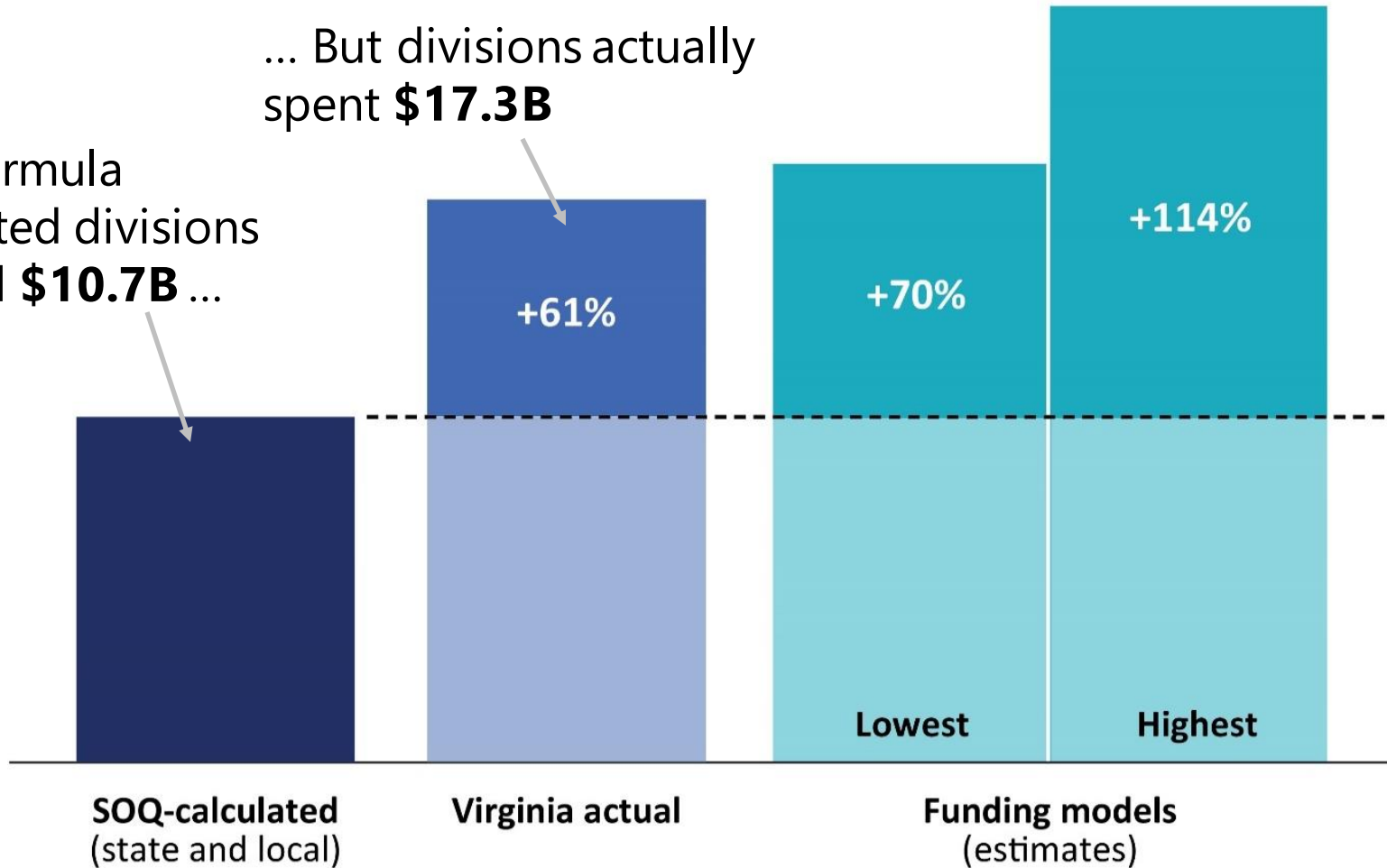


NOTE: Includes funding for K-12 operations from all sources (federal, state, and local).

SOQ-calculated funding amounts were substantially less than actual funding and benchmarks (FY21)

... But divisions actually spent **\$17.3B**

SOQ formula calculated divisions needed **\$10.7B** ...



States and localities, including in Virginia, have recently been providing additional K-12 funds

- General Assembly has recently provided substantial, additional funds
 - Salary increases
 - Funding to remediate learning loss
- Other states, such as Tennessee and Maryland, recently embarked upon major, long-term funding initiatives also not reflected in benchmark comparisons
- But no changes have yet been made to the SOQ formula itself, nor were any proposed in the Governor's budget

Finding

	Clear & justifiable rationale*	Reflects prevailing practice?*	Accurate?	Fair?	Predict-able?	Trans-parent?
SOQ formula staffing ratios and calculations	6	0	0	n/a	n/a	0

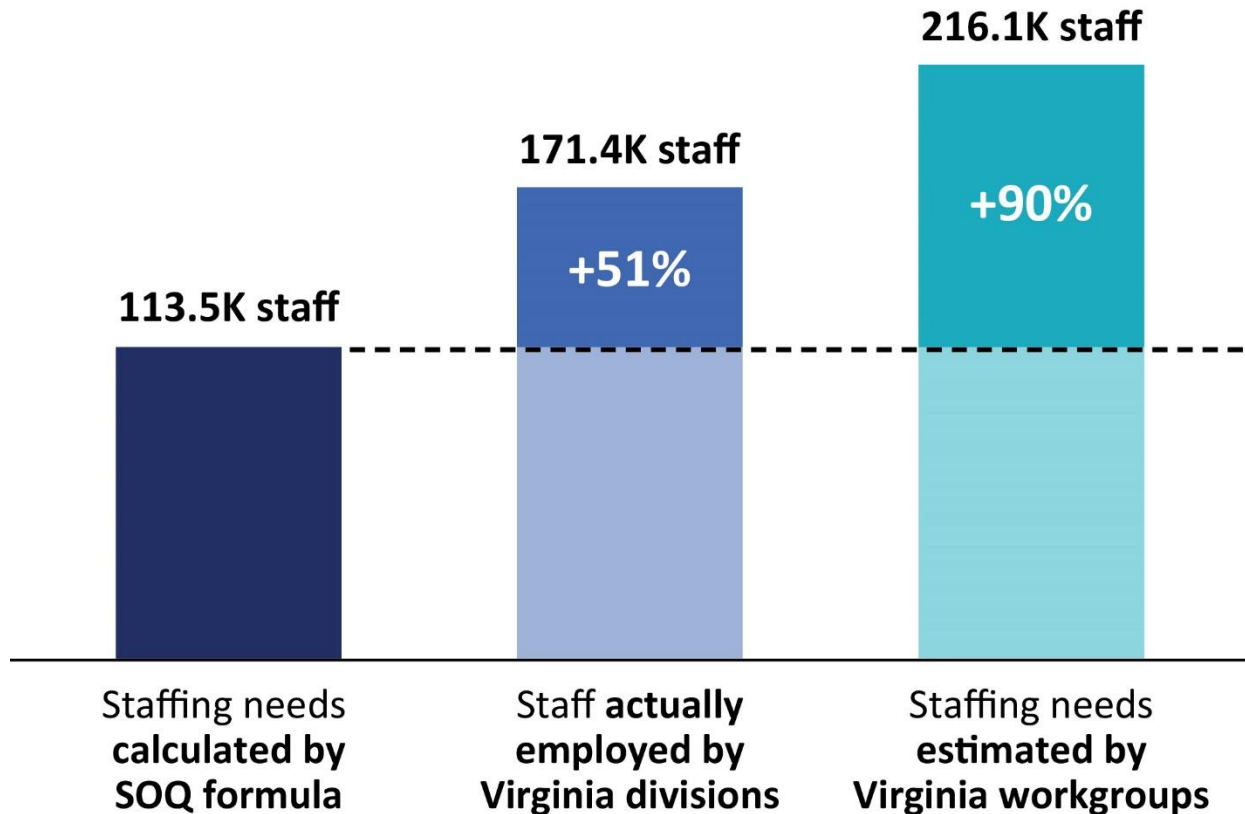
Fully meets criteria 4

Partially meets 6

Does not meet 0

*Criteria established by the Task Force for Financing the Standards of Quality, 1972-1973 and Virginia Attorney General opinions, 1973, 1983.

SOQ formula assumes fewer staff are needed than number employed and workgroup estimates



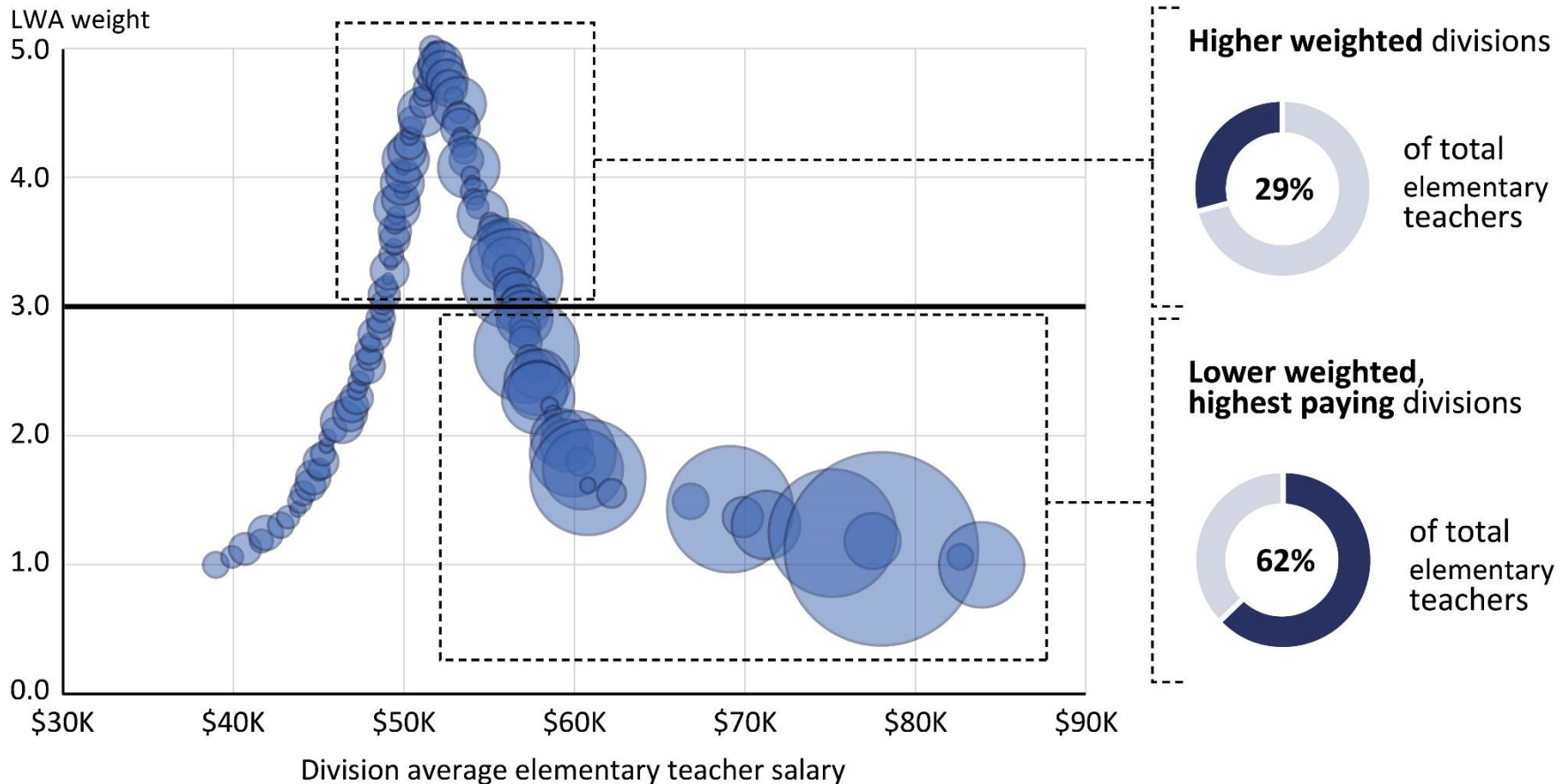
Finding

	Clear & justifiable rationale	Reflects prevailing practice?	Accurate?	Fair?	Predict-able?	Trans-parent?
Great Recession-era formula changes	6	0	0	n/a	n/a	0
SOQ formula calculation of prevailing salaries	6	6	6	6	n/a	0

Several changes were made to SOQ formula in FY09 & FY10 during steep revenue declines

- “Support cap” reduced funding for divisions below prevailing costs
 - Also affected instructional funding
- Certain “non-personal” costs were removed from the prevailing SOQ cost calculations, though they are still incurred by divisions (travel, leases, other)
- Calculation used to account for federal funds was changed to use less accurate assumptions

Formula's "prevailing" statewide teacher salary underweights divisions with the most staff



Note: Each dot represents one school division. Larger dot size = more teachers employed by division.

Three major drivers of what divisions spend are outside their direct control

- Number of higher needs students (at-risk / low income, special education, English learners)
- Regional labor costs
- Division size (as measured by number of students)

Findings

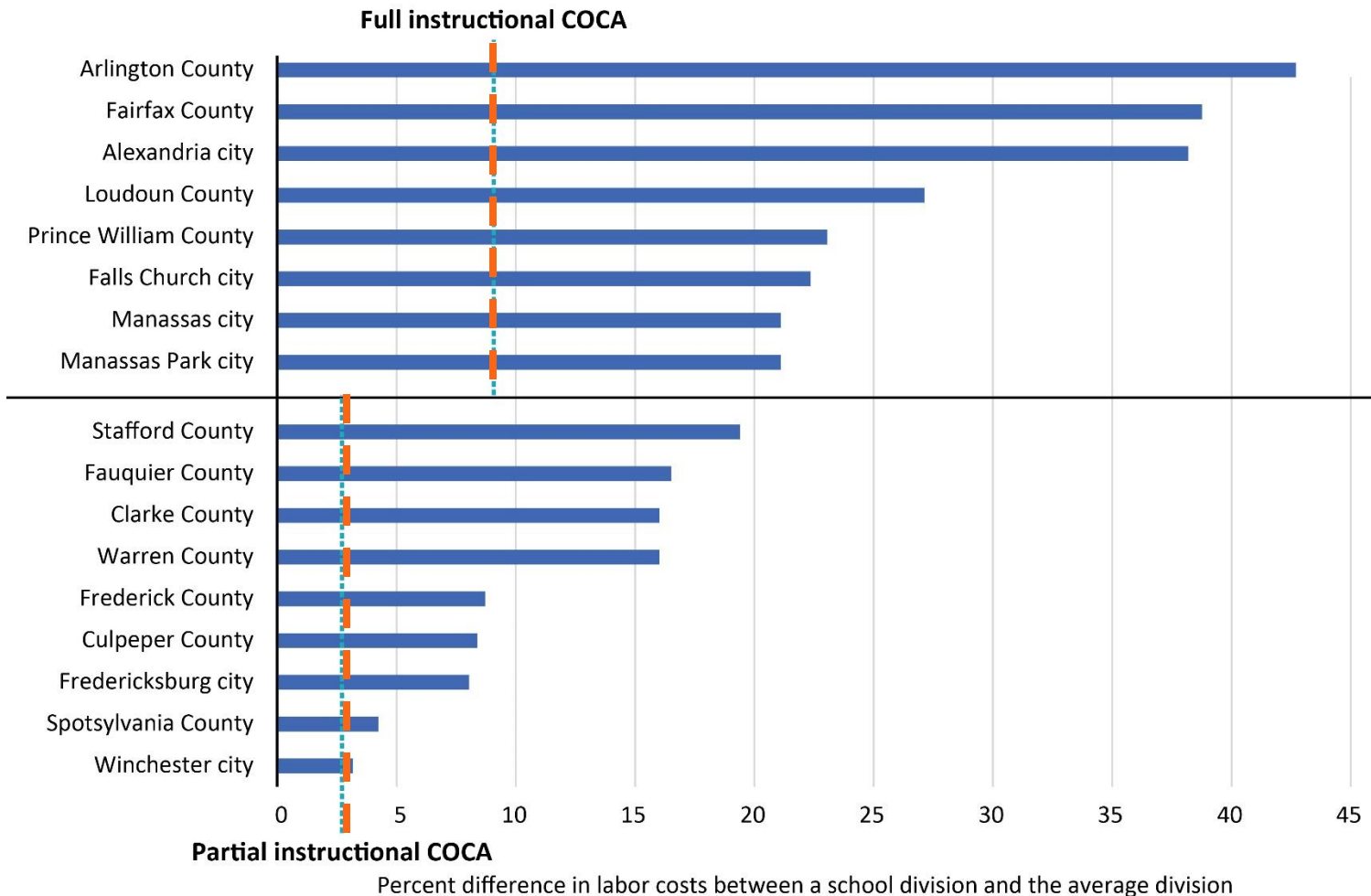
State funding per student has increased for at-risk (low income) and English learners. But declined for special education.

State funding per student for higher needs students was less than several relevant benchmarks.

Funding for at-risk programs is essential for low income student success, yet not SOQ required.

Data used to estimate poverty for at-risk program funding is old and increasingly inaccurate.

COCA amount is less than division salaries

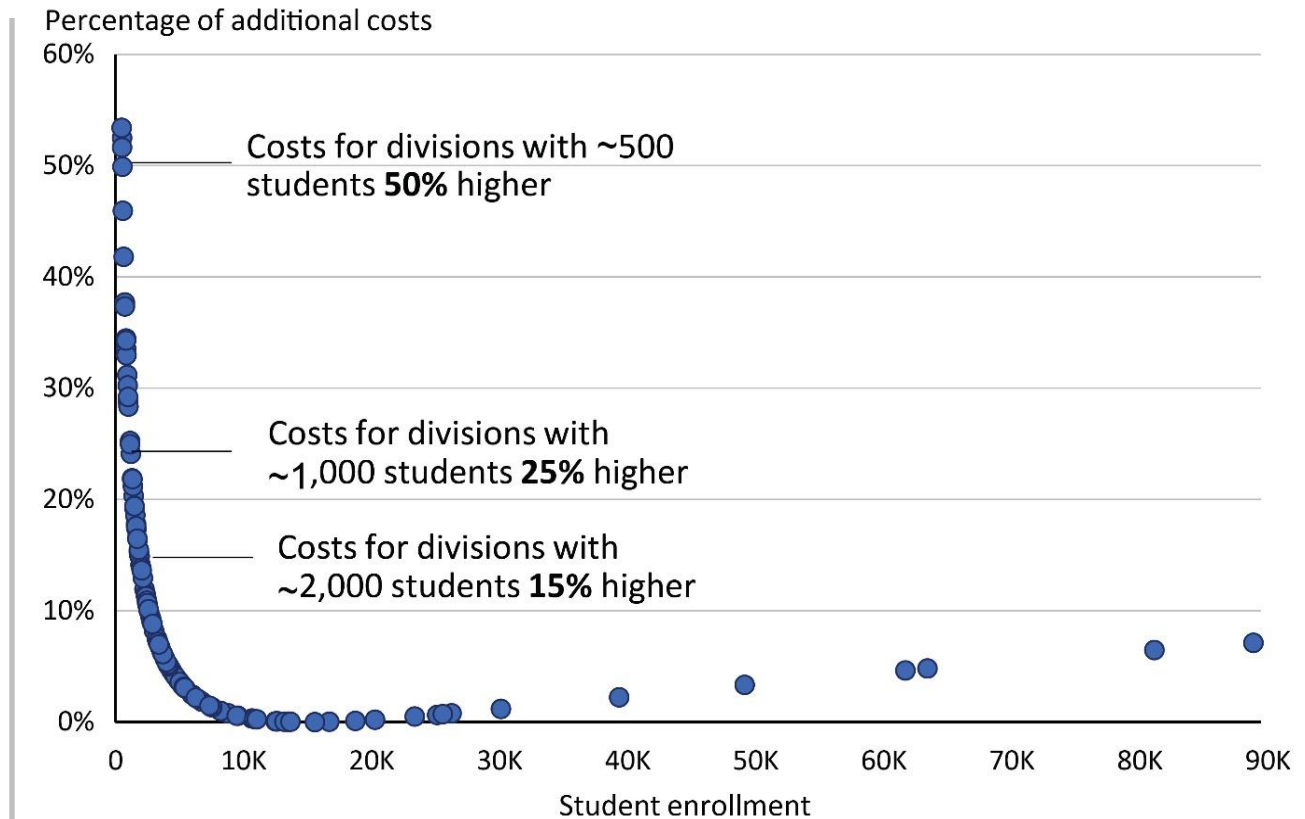
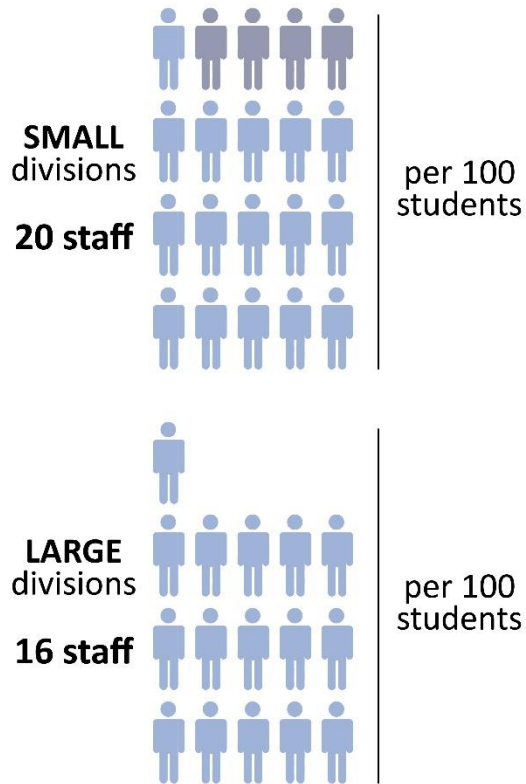


Current wage data shows several divisions outside Northern Virginia have above average labor costs

- Several localities not included in the current COCA have above average labor costs
- Central Virginia
- Tidewater

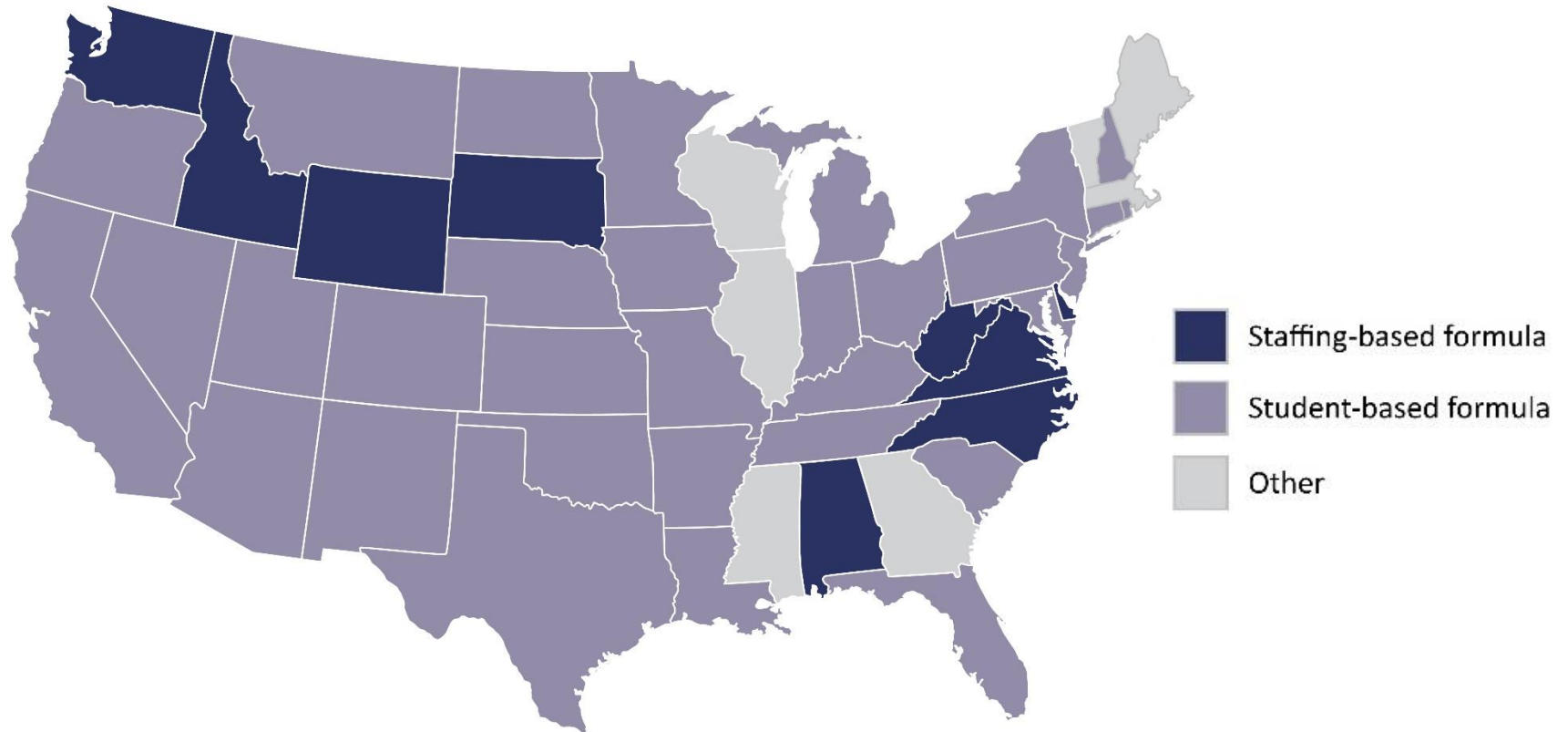
Note: Full state map provided in written report.

Academic research and analysis of Virginia finds small divisions have higher costs per student



Second figure shows Virginia school divisions plotted using a formula developed by cost study researchers.

Virginia is one of only a few states that use a staffing-based education funding model



Student-based funding models used by most other states have several advantages

- Simpler than staffing-based funding models
- Allow funding to more easily be designated for specific purposes (e.g., special education)
- More accurate, transparent, and easier to adapt to changes in education practice over time (if well designed)
- Can be directly tied to actual prevailing costs

Summary

- Virginia school divisions received less K–12 funding per student than multiple, relevant funding benchmarks
- SOQ formula
 - Uses many inputs & assumptions that lack a clear rationale and do not reflect prevailing practice in schools
 - Does not adequately account for higher needs students, regional labor costs, and division size (the 3 main cost drivers outside a division's control)
- Most states use a student-based K–12 funding formula, which is simpler than Virginia's complex staffing-based formula

Questions? / Comments?

Full report, including:

- All recommendations & policy options
- State and local \$ impact estimates

Available at:

jlarc.virginia.gov/landing-2023-virginias-k-12-funding-formula.asp