

# Virginia K-12 Funding and the Standards of Quality

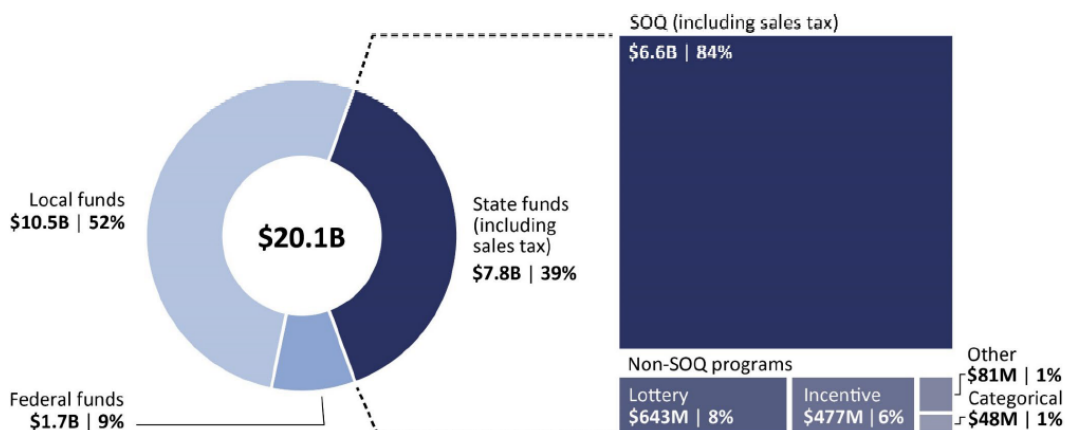
## Background

- The Constitution of Virginia requires the Virginia Board of Education to prescribe standards of quality for the public schools of Virginia, subject to revision only by the General Assembly (GA).
- These standards, included in the *Code of Virginia*, are known as the Standards of Quality (SOQ) and encompass the requirements that must be met by all Virginia public schools and school divisions.
- Every two years, as required by the *Code of Virginia*, the Board of Education reviews the SOQ for necessary revisions. In conducting that review, the Board seeks public comment from educators, parents, students, employers, civic and community leaders, and other interested citizens in addressing the needs, priorities, and programs in public schools across Virginia.

## SOQ Funding Formula

- K-12 funding is the largest single budgetary item for the state and local governments in the Commonwealth.
- The SOQ formula is how the GA fulfills its Constitutional obligation to seek to establish and maintain a high-quality public school system.
- The formula estimates how many staff positions are needed for each school division, then applies cost assumptions to estimate the cost of K-12 staff needed in each division – that cost is then apportioned between the state and each local government using the Local Composite Index (LCI). It is important to note that the funding process begins with a portion of federal revenue for K-12 being deducted from the statewide K-12 funding account. The specific amount taken out is based on a methodology, which due to changes adopted during the Great Recession, increased the percentage deducted. JLARC recommends returning to the original deduction methodology.
- Once the federal funds are removed, the SOQ formula calculates the total state and local funding required for each school division – that total (state and local) SOQ funding amount represents the funding levels the Governor and the GA deem necessary to meet the Constitutional goal of providing a high-quality education.

## Virginia school divisions receive local, state, and federal funding



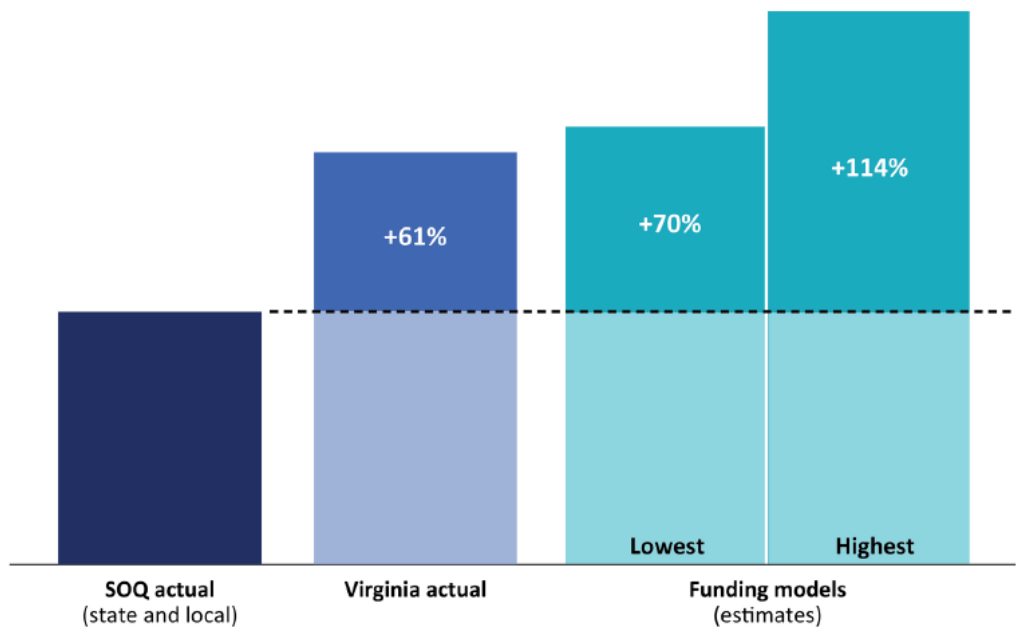
- Fairfax County accounts for \$2.5B of the \$10.5B in local funding

## Joint Legislative Audit and Review Commission (JLARC) Report on Virginia's K-12 Funding Formula

- The JLARC report found that the SOQ formula results in substantially less funding than actual K-12 spending and benchmarks.
- However, the SOQ total funding amounts are well below actual school division expenditures – in FY 2021 the SOQ formula calculated that school divisions needed a total of \$10.7 billion in funding, but divisions actually spent \$17.3 billion on K-12 operations, meaning the formula provided \$6.6 billion less than what was spent (a 38 percent difference).
- Though some school divisions could be spending more than what is needed for a high-quality education, according to JLARC this does not appear to be a key reason why SOQ funding is so much lower than actual expenditures.
- After adjusting for differences in the three major drivers of divisions’ costs (student need, local labor costs, and enrollment), only two school divisions spend substantially more than their peers on K-12 education.
- Additionally, actual K-12 spending from all sources across all divisions is still below the lowest funding benchmark.

**FIGURE 2-4**  
SOQ amount is substantially less than what is actually provided to divisions and what funding models estimate is needed

**SOQ-calculated total funding was also substantially less than the funding model estimates of need (Figure 2-4). The models estimate divisions need 66 percent to 93 percent more funding than the SOQ formula calculates is needed, depending on the model used.**

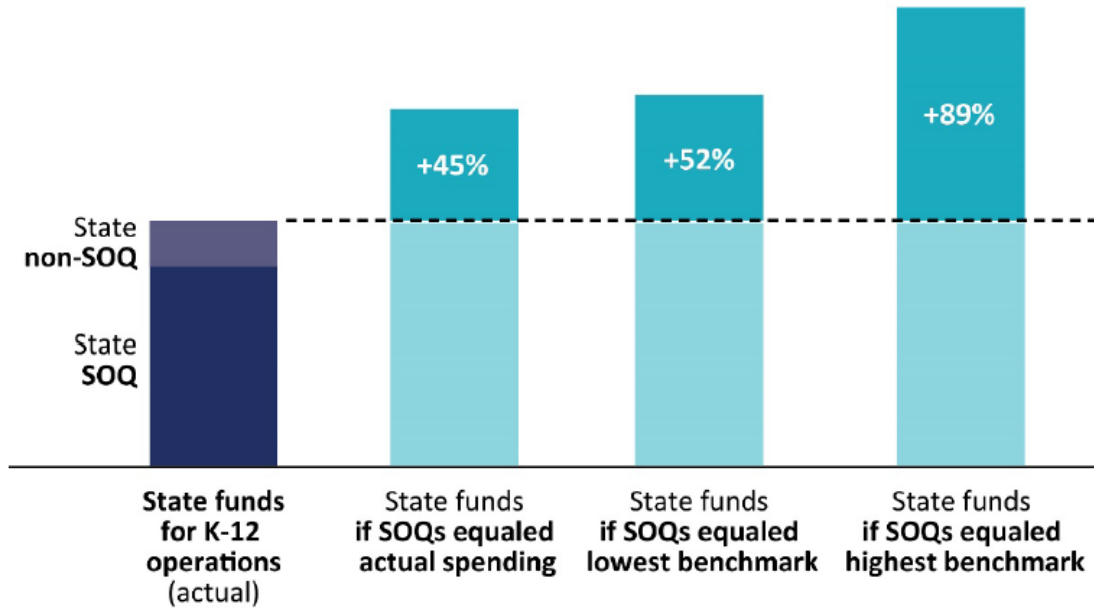


SOURCE: JLARC staff analysis of VDOE data on SOQ funding and school division expenditures, cost studies, research literature, expert interviews, and educator work groups, and JLARC modeling of funding needs.

NOTE: SOQ actual funding amount is what the SOQ formula calculates is needed to operate all of Virginia’s school divisions and educate all of its public school students before federal funds are deducted and before funding is divided between state and local governments.

**The majority of school divisions believe current SOQ funding levels are insufficient to provide a high-quality public education.**

**FIGURE 2-5**  
State funding is substantially lower than it would be if SOQ funding reflected actual spending or funding need benchmarks



**Virginia school divisions receive less K-12 funding per student than the 50-state average and the regional average, which equates to approximately \$1,900 per student in state underfunding of Virginia’s students.**

**FIGURE 2-1**  
Virginia school divisions receive less funding per student compared with national and regional averages, after adjusting cost of labor (FY20)

The most recent publicly available data about other states’ K–12 spending is for FY20. The data does not capture recent substantial funding increases in two bordering states. Maryland enacted a new K–12 funding approach in 2020 and is embarking on a long-term plan to increase state and local funding by \$3.5 billion by FY30. Tennessee enacted a new funding approach in 2022, which is expected to increase funding by \$1 billion in FY23.

