

Analyzing the Governor's Introduced Budget



Albemarle School Board



Fiscal Analytics, LTD

January 25, 2024

Summary of Revenue Conditions



- General fund revenue growth was 33 percent from FY 2020 to FY 2022.
- Growth would have continued in FY 2023 except for \$2.43 billion in tax reductions.
- FY 2023 general fund revenue collections did exceed the December 2022 forecast by \$1.45 billion.
- FY 2024 GF revenue forecast has been increased by \$1.36 billion from Chapter 1 adopted last September, while still maintaining a relatively cautious outlook for the remainder of the fiscal year.
- The revenue forecast for the 2024-26 biennium retains a conservative outlook by incorporating a mild recession. The introduced budget also contains a complex tax reform incorporating reduced income tax rates, and an increased sales tax rate and broadened base. These changes would reduce overall revenues by about \$1 billion over the biennium.

Economic and Revenue Outlook Underlying the Introduced Budget



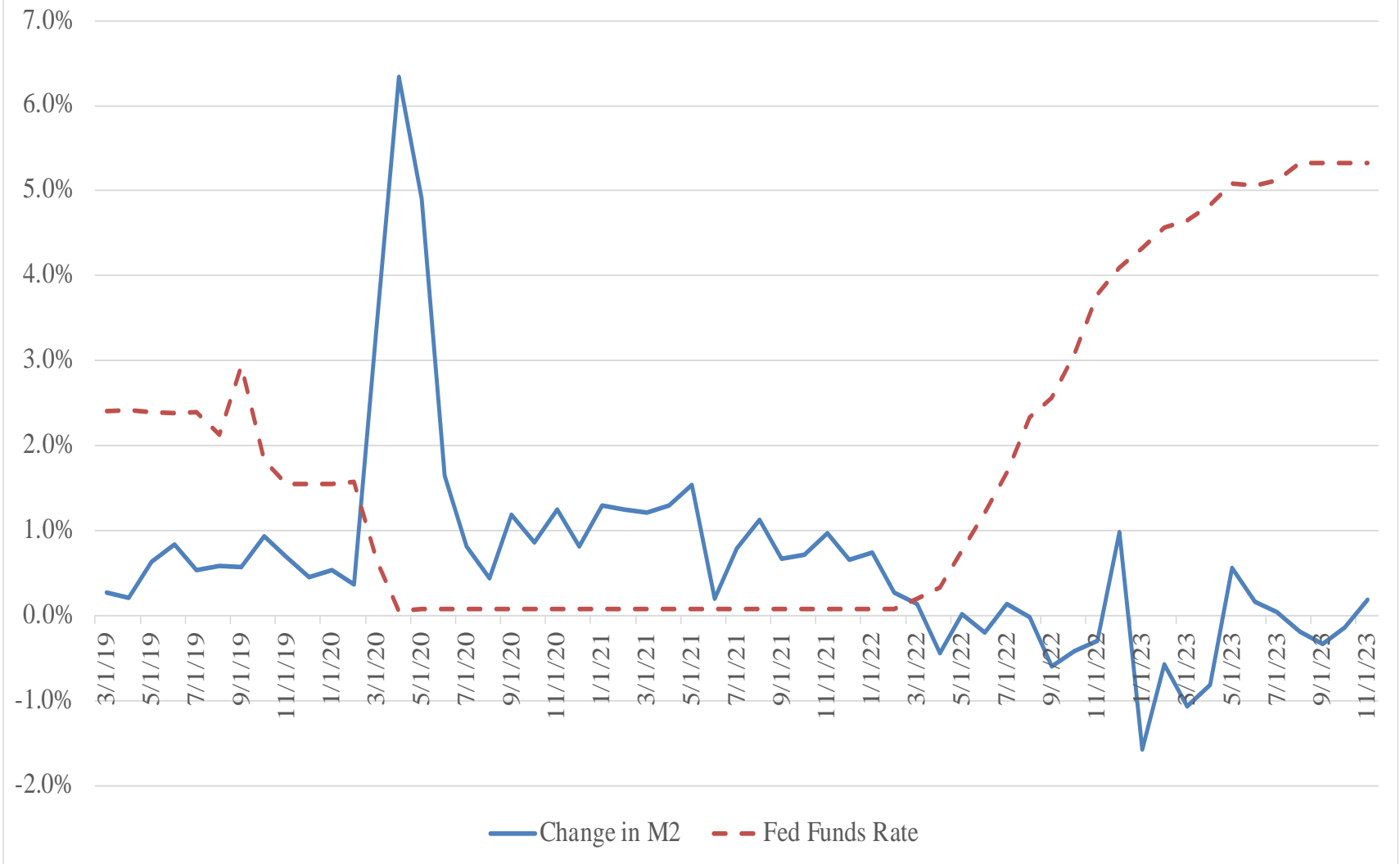
- Economic conditions in FY 2023 defied recession expectations from a year ago due to: 1) supply disruptions easing; 2) massive government spending propping up the economy; 3) homeowners having locked in low rates – keeping rising interest rates from having as large an impact; and 4) the Fed easing terms on lending to banks, offsetting interest rate increases.
- The underlying economic forecast in the introduced budget now assumes that a combination of a federal government shutdown, elevated inflation and interest rates, reduced credit accessibility, and rising geopolitical tensions cause the economy to fall into a mild recession in the second quarter of CY 2024 (fourth quarter of FY 2024) through the fourth quarter of CY 2024 (second quarter of FY 2025), with a peak to trough decline of 1.0 percent in GDP.
- General fund revenue growth in the introduced bills (not including new tax policy proposals) assumes -0.6% in FY 2024, 2.9% in FY 2025, and 6.0% in FY 2026.
- FY 2024 assumes growth of 0.5% in income tax withholding, -12.3% in non-withholding and -4.6% in sales taxes.
- The introduced budget does transfer Revenue Reserves of \$712.2 m in FY 25 and \$92.8 m in FY 26 for GF spending, keeping total reserves at 15 percent of general fund revenues.

Conservative Economic Forecast Underpins the GF Revenue Forecast



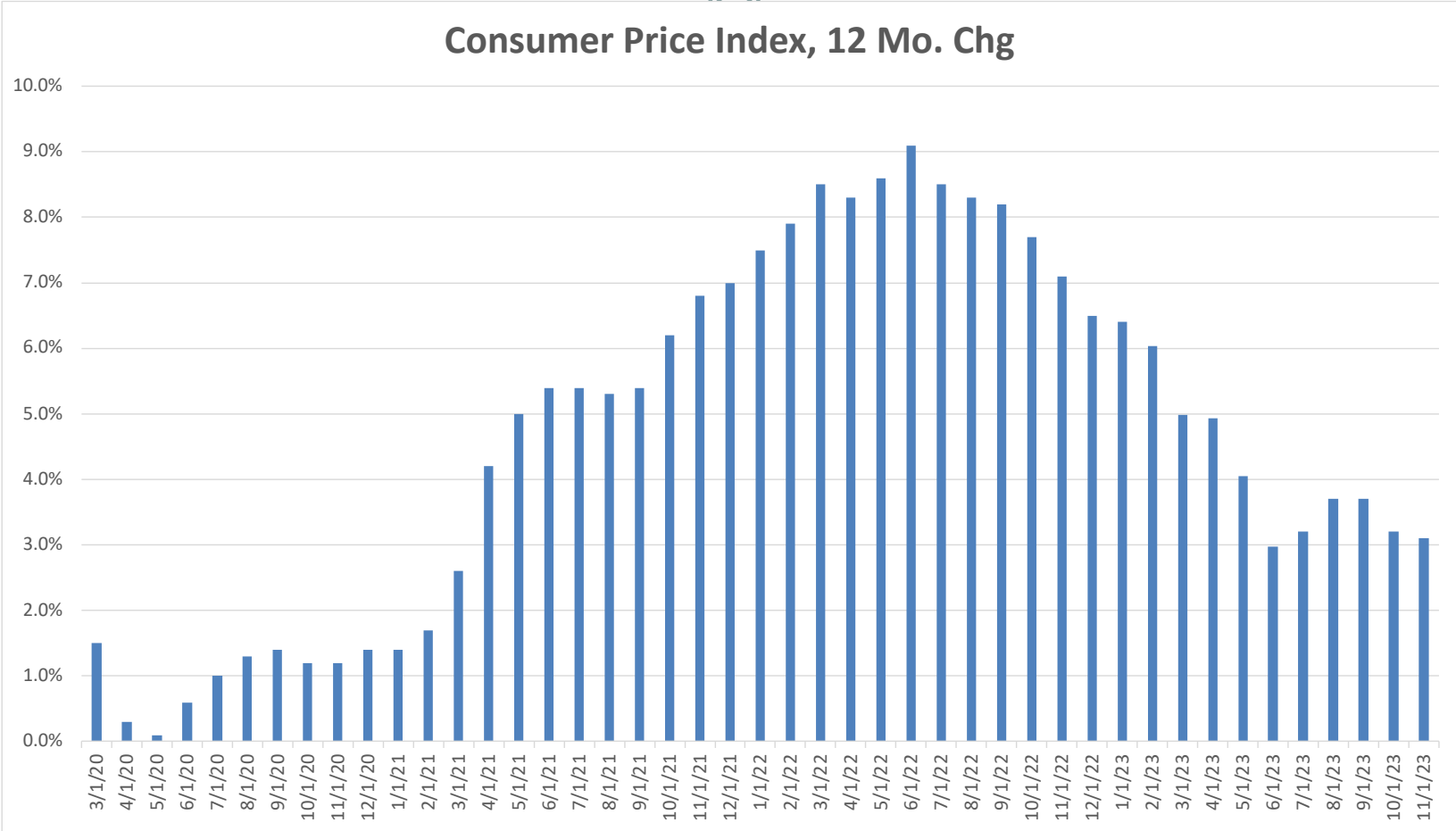
	Actual	Forecast (%)		
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Real U.S. GDP	1.8	1.5	0.4	2.9
CPI	6.3	3.1	2.0	2.1
VA Non-Ag Employment	2.7	0.1	(0.1)	2.5
VA Personal Income	6.2	3.9	3.2	4.4
VA Wages and Salaries	7.4	4.4	3.3	5.2

Change in Interest Rates and Money Supply



Source data: <https://fred.stlouisfed.org/series/M2SL#>

Consumer Prices Have Not Met Fed Target of 2%

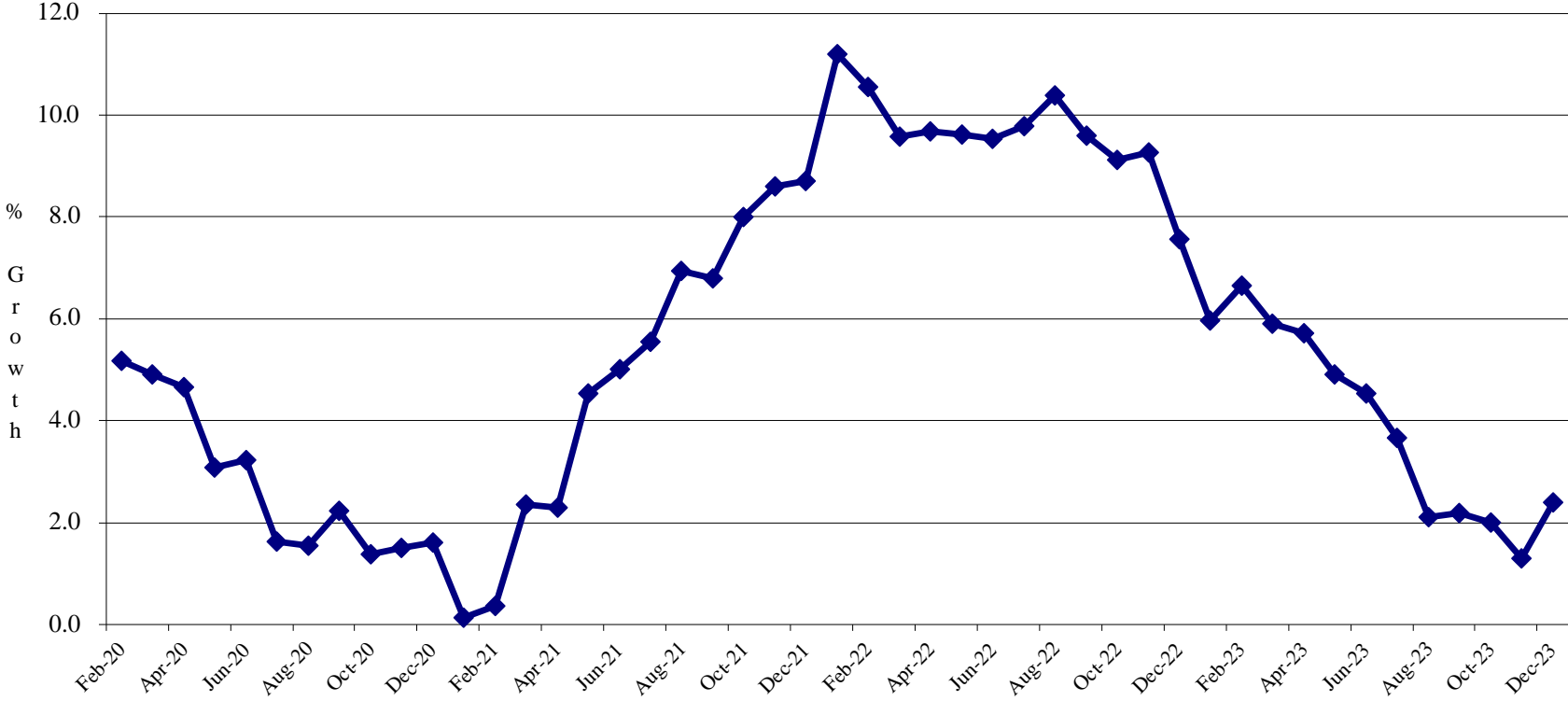


Source: <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>

Income Tax Withholding Growth is Declining



12 Mo. Moving Avg Income Tax Withholding



Recent Tax Policy Has Reduced Revenues



Recent Adopted Major Tax Policy Reductions Impacting Revenue Estimates**

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Standard Deduction Increases	\$970.4	\$755.6	\$821.1	\$832.8
Refundable Earned Income Tax Credit	\$159.0	\$156.0	\$159.5	\$155.0
Income Tax Subtraction on Military Benefits	\$145.0	\$193.8	\$215.4	\$229.1
Eliminate Sales Tax on Groceries and Personal Hygiene	\$107.3	\$269.1	\$272.5	\$273.6
Tax Rebate	\$1,048.6	\$906.8		
Total	\$2,430.3	\$2,281.3	\$1,468.5	\$1,490.5
** December 2023 GACRE report				

Proposed Tax Policy Changes Reduce Revenues in the Introduced Budget



Proposed Tax Policy Changes in the Introduced Budget

	<u>FY 2025</u>	<u>FY 2026</u>
Reduced Individual Income Tax Rates by 12%	(\$1,118.9)	(\$2,339.8)
Expand EITC from 20% to 25%	\$0.0	(\$29.0)
Increase Statewide Sales Tax Rate by 0.9 Percent	\$520.1	\$1,299.3
Expand Sales Tax Base to Digital Services	\$203.4	\$510.7
Double Dealer Discount	(\$10.1)	(\$25.2)
Increase Education Improvement Scholarship Tax Credit to \$30 mil	(\$5.0)	(\$5.0)
Total	(\$410.5)	(\$589.0)

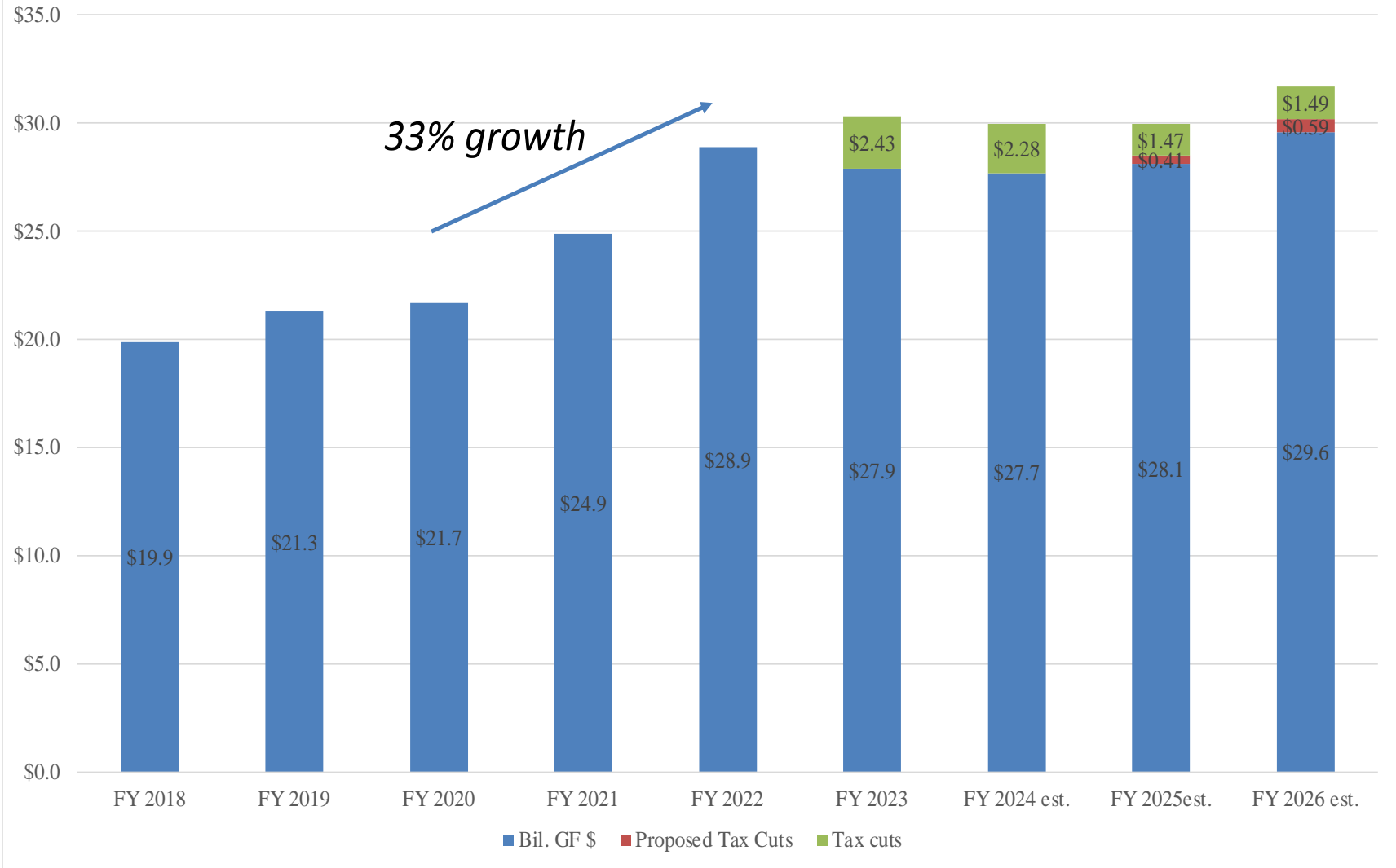
Conservative GF Revenue Forecast for 2024-26 (Includes New Tax Policy Proposals)



	<u>FY 2023</u> <u>Actual</u>	<u>FY 2024</u> <u>December</u>	<u>% Growth</u>	<u>FY 2025</u> <u>December</u>	<u>FY 2026</u> <u>December</u>
<i>Withholding</i>	\$15,957.2	\$16,038.5	0.5%	\$15,958.1	\$16,102.0
<i>Estimated Pay/Tax Dues</i>	\$6,629.2	\$5,813.8	-12.3%	\$5,397.0	\$5,225.8
<i>Refunds</i>	<u>(\$3,602.8)</u>	<u>(\$3,336.2)</u>	-7.4%	<u>(\$3,254.6)</u>	<u>(\$3,027.7)</u>
Net Individual Income	\$18,983.6	\$18,516.1	-2.5%	\$18,100.5	\$18,300.1
Sales Taxes	\$4,734.6	\$4,515.8	-4.6%	\$5,400.9	\$6,664.5
Corporate Income	\$2,031.1	\$2,213.5	9.0%	\$2,063.8	\$2,161.3
All Other	<u>\$2,160.6</u>	<u>\$2,487.3</u>	15.1%	<u>\$2,556.3</u>	<u>\$2,520.9</u>
Total GF Revenue	\$27,909.9	\$27,732.7	-0.6%	\$28,121.5	\$29,646.8
GF Transfers *	<u>\$815.6</u>	<u>-\$50.4</u>	-106.2%	<u>\$1,744.0</u>	<u>\$1,073.2</u>
Total General Funds	\$28,725.5	\$27,682.3	-3.6%	\$29,865.5	\$30,720.0
<i>Lottery Revenues</i>	\$867.4	\$944.7	8.9%	\$852.9	\$852.9

* Transfer reduced by tax rebate in FY 2024 and increased by reserve transfer in FY 25 an FY 26

General Fund Revenue Growth



Total General Fund Resources Available for Appropriation



	<u>FY 2025</u>	<u>FY 2026</u>
Available Balances	\$2,353.3	-\$0.5
Revenues	\$28,121.4	\$29,646.9
Transfers to GF *	<u>\$1,744.0</u>	<u>\$1,073.2</u>
Total GF Resources Proposed	\$32,218.7	\$30,719.6
Proposed GF Appropriations	\$32,218.1	\$30,711.4
Unappropriated GF Balance	\$0.6	\$8.2
NGF Offsetting Need for GF		
Lottery Revenues (K12)	\$852.9	\$852.9
Health Care Fund (Medicaid)	\$437.8	\$440.7

** Includes ABC profits, sales tax for SOQ, other transfer in the Act,
and \$712.2 m in FY 25 and \$92.8 m in FY 26 from Revenue Reserves*

Bottom Line On Revenues



- New proposed tax changes unlikely to be adopted leaving \$1 billion in unspent revenue for 2024-26 biennium.
- Also, a good chance FY 2024 revenues are higher than forecast due to a more resilient economy than expected. Huge late-year stock market rally makes chances for better non-withholding revenues in FY 2024. Income tax withholding and sales taxes through November are running modestly ahead of the forecast.

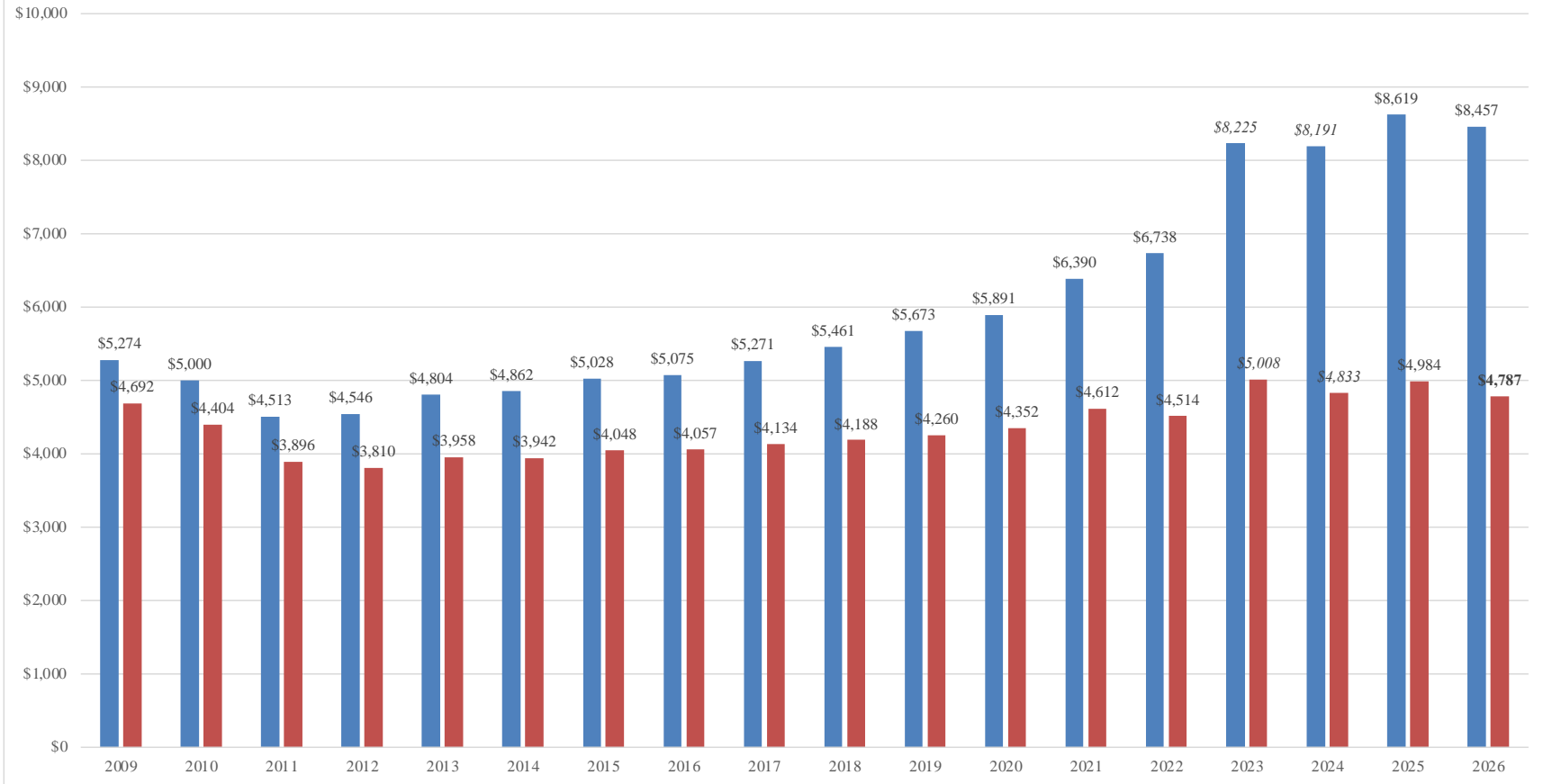
2024-26 GF Introduced Appropriations Compared to the 2022-24 Biennium



	Ch. 1	Ch. 1	HB/SB 29	HB/SB 30	HB/SB 30	Biennium
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>\$ Change</u>
Legislative and Executive	\$173.8	\$176.0	\$176.0	\$196.2	\$191.0	\$37.4
Judicial Dept.	\$582.0	\$589.6	\$589.6	\$637.5	\$639.7	\$105.6
Administration/Comp Bd	\$886.3	\$910.5	\$893.2	\$992.6	\$982.9	\$196.0
Treasury Board Debt Service	\$954.2	\$994.6	\$973.1	\$1,019.0	\$1,053.9	\$145.6
Other Finance /VRS Deposit	\$430.0	\$173.6	\$173.6	\$180.8	\$180.8	(\$242.0)
Rainy Day/Revenue Reserve	\$1,127.7	\$695.6	\$695.6	\$0.0	\$0.0	(\$1,823.3)
Car Tax Reimbursement	\$950.0	\$950.0	\$950.0	\$950.0	\$950.0	\$0.0
Commerce and Trade/Labor	\$590.1	\$818.7	\$818.2	\$779.0	\$474.8	(\$154.5)
Agriculture / Nat. Resources	\$636.1	\$932.1	\$933.7	\$759.8	\$284.1	(\$525.9)
K-12 Education/DOE	\$9,224.1	\$9,296.6	\$9,014.0	\$9,349.5	\$9,421.2	\$532.6
Higher & Other Education	\$2,960.3	\$3,278.0	\$3,279.7	\$3,604.1	\$3,524.8	\$888.9
DMAS Medicaid	\$5,540.8	\$5,733.7	\$5,636.3	\$6,426.5	\$6,837.9	\$2,087.3
Other Health & HS	\$2,615.4	\$2,886.5	\$2,901.3	\$3,215.3	\$3,190.6	\$889.2
Public Safety & Veterans/HS	\$2,504.3	\$2,553.8	\$2,559.0	\$2,758.9	\$2,692.4	\$388.0
Transportation	\$51.5	\$260.0	\$260.0	\$90.8	\$1.5	(\$219.2)
Central Appropriations	\$451.1	\$807.2	\$810.5	\$309.3	\$211.6	(\$740.7)
Independent Agencies/Capital	<u>\$2,064.6</u>	<u>\$429.9</u>	<u>\$429.9</u>	<u>\$948.8</u>	<u>\$74.2</u>	<u>(\$1,471.5)</u>
Total GF Appropriations	\$31,742.3	\$31,486.4	\$31,093.7	\$32,218.1	\$30,711.4	\$93.5

K-12 State Per Pupil Funding Saw Significant 2022-24 Funding Increases

Introduced Budget State Per Pupil K-12 Direct Aid Funding
Nominal and Inflation-Adjusted (CPI \$2005)



Enrollment Declines Will Impact K-12 Funding into the Future



School Year	Fall K-12 Enrollment	Change	% Change
2019-20	1,262,449	7,006	0.6%
2020-21	1,223,511	-38,938	-3.1%
2021-22	1,218,786	-4,725	-0.4%
2022-23	1,226,988	8,202	0.7%
2023-24	1,224,900	-2,088	-0.2%

Weldon Cooper Enrollment Projections:

- VA birthrates have declined 11% since 2007.
 - In 2007, there were 108,416 births in Virginia, but by 2020 the number of annual births had steadily declined to 94,474
- Smaller kindergarten classes affected by lower VA birth rates now entering public schools
- Prior to the pandemic, lower K-12 enrollment was predicted in the 2020's
- The pandemic accelerated growth in private K-12 education. 6% enrolled in private schools in 2010's vs 12% in 2022

FY 2024 “Caboose Bill” GF Spending Changes (\$ mil.)



Increased GF Spending:

- Fund Children's Services Act forecast: \$36.4 m
- \$28.5 m GF for Medicaid due to reduced Health Care Fund revenues
- All other spending increases: \$43.8 m

Decreased GF spending:

- Medicaid utilization and inflation savings (\$125.9)
- **\$108.0 m in increased Lottery proceeds and lottery supported programs for public education, reducing GF need**
- **Lower sales tax revenues for public education (\$71.4)**
- **Lower student enrollment projections (\$58.7)**
- **Update K-12 Incentive programs (\$37.2)**
- **Update ESL and Remedial Summer school enrollment (\$6.7 m)**
- Recognize debt service savings (\$21.5)
- Recognize savings for per diem payments for housing state-responsible offenders in jails (\$15.0)
- Reduced medical assistance services for low-income children utilization and inflation (\$10.8)
- Reduce funding for permanent supportive housing on a one-time basis (\$10.0)
- All other spending decreases (\$19.6)

2024-26 Biennium K-12 Rebenchmarking



- K12 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 .

Cost factors increasing rebenchmarking:

- Higher base-year non-personnel support costs, including health care, transportation, textbooks, etc.
- Higher local salaries in school divisions
- State salary increases in 22-24 (12%) reflected in the funded salary amounts for 24-26 (see Appendix for 2024-26 SOQ funded salaries)
- Higher free lunch rates
- Higher special education, ESL, remedial summer school, CTE enrollment

Cost factors decreasing rebenchmarking:

- Declining ADM enrollment projections
- **ESSER funds included with other federal funds in the Federal Revenue Deduct step for support costs (\$338 m)**

Albemarle County Change in LCI



<i>Data Year*</i>	<i>2021</i>	<i>2019</i>	<i>2011</i>
	<u>2024-26</u>	<u>2022-24</u>	<u>2014-16</u>
True Value of Real Estate (50%)	1.58%	1.65%	1.69%
Adjusted Gross Income (40%)	2.14%	1.71%	1.56%
Taxable Sales (10%)	1.42%	1.43%	1.28%
Numerator Weighted Average	1.79%	1.65%	1.60%
* ADM - March 2022, etc. (66.7%)	1.10%	1.11%	1.05%
Population (33.3%)	1.32%	1.29%	1.24%
Denominator Weighted Average	1.17%	1.17%	1.11%
Ratio of Numerator/Denominator (1.0 = .45 LCI)	1.52	1.41	1.44
Local Composite Index	0.6904	0.6387	0.6506

2024-26 LCI - Largest Changes



LCI Increase Over 2 points		LCI Reduction Over 2 points	
ALBEMARLE	0.0517	LOUISA	(0.0222)
CHARLES CITY	0.0817	POWHATAN	(0.0442)
CLARKE	0.0304	WISE	(0.0327)
CRAIG	0.0267	NORTON	(0.0243)
CUMBERLAND	0.0263	PETERSBURG	(0.0335)
FLOYD	0.0543	RADFORD	(0.0737)
FRANKLIN COUNTY	0.0614	STAUNTON	(0.0200)
HIGHLAND	0.0255		
MATHEWS	0.0451		
NELSON	0.0757		
NORTHAMPTON	0.0460		
NORTHUMBERLAND	0.0701		
ORANGE	0.0267		
ROCKBRIDGE	0.0317		
ROCKINGHAM	0.0670		
SHENANDOAH	0.0396		
WESTMORELAND	0.0297		
CHARLOTTESVILLE	0.0750		
FREDERICKSBURG	0.0355		
RICHMOND CITY	0.0601		
WILLIAMSBURG	0.0209		
COLONIAL BEACH	0.0307		

New DOE and K-12 Direct Aid Spending Items (2024-26 GF \$mil.)



- \$412.1 m for DOE to continue the Child-Care Subsidy Program after federal funding becomes unavailable in FY 2024 (part of funding comes from VPI redirect).
- \$53.0 m for a one percent bonus for instructional and support positions in FY 2025 and \$122.8 m two percent compensation supplement for instructional and support positions in FY 2026.
- **\$115.0 m to reduce unfunded liabilities of the Teacher Retirement Plan**
- **\$85.7 m to conform to proposed sales tax revenues for base expansion**
- \$61.2 m to expand reading specialist staffing standards
- \$60 m to fund College Partnership Laboratory Schools
- \$40 m to develop new state assessment system
- \$40 m to attain industry recognized credentials through Diploma Plus grants
- \$26.1 m to update Career and Technical Education data
- Provide \$80 mil./year **NGF** from revenues deposited into the School Construction Fund from Casino Gambling Proceeds to be used on the School Construction Assistance Program.

Major K-12 Spending Reductions (2024-26 GF \$ mil.)



Technical Reductions:

- Remove FY 2024 one-time appropriations of \$586.8 m.
- **\$119.6 m in savings from reduced teacher retirement rates (16.62% to 14.21%)**
- Lower Average Daily Membership projections - \$87.8
- Lower sales tax revenues for public education - \$63.1
- Update composite index of local ability-to-pay - \$61.3
- Update participation in Lottery-funded and Incentive programs - \$24.1
- Update ESL enrollment - \$10.6

Policy Reductions:

- \$300.0 m GF savings by using Literary Funds for teacher retirement payments instead. **(Literary Funds could be used for school construction)**
- **\$229.0 reduction due to eliminating the Supplemental General Fund Payment in Lieu of Sales Tax on Food and Personal Hygiene Products as a result of sales tax base expansion revenue**
- Save \$160 m from VPI nonparticipation **and removing the 0.5 cap on LCI**. Re-direct \$106.7 m of these savings to the Child-Care Subsidy Program in DOE. Use the remaining \$53.6 m for the Mixed-Delivery Program located in K12 Direct Aid.

Summary of K12 Direct Aid Budget Proposal (GF \$ Mil.)



	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>
Chapter 1 Direct Aid Appropriation FY 2024	\$9,215.0	\$9,215.0	\$9,215.0
Less One-time Appropriations in FY 2024		\$586.8	\$586.8
<i>2024 flexible funding - \$418.3</i>			
<i>Covid rebenchmarking hold harmless - \$177.4</i>			
<i>VPI nonparticipation - (\$29.7)</i>			
<i>Other Item 138.10 - \$20.8</i>			
2024-26 Base K12 Direct Aid Budget		\$8,628.2	\$8,628.2
Rebenchmarking and Technical Changes	(\$282.6)	\$471.1	\$497.9
Policy Changes			
Increases		\$303.6	\$295.8
Decreases		(\$344.3)	(\$345.0)
Total Policy Changes		(\$40.7)	(\$49.2)
Total Proposed Changes		\$430.4	\$448.7
Introduced Appropriation	\$8,932.4	\$9,058.6	\$9,076.9

Workforce/Economic Development (GF \$ mil.)



- Establish the Virginia Biotechnology, Life Sciences, and Pharmaceutical Manufacturing Network - \$100.0
- New Department of Historic Resources capital grant program to celebrate the country's Semi quinentennial - \$35.0
- Provide funding to support American Revolution 250 Commission operations - \$20.0
- Increase Workforce Credential Grant program – \$9.2
- Earn to Learn Nursing Education Acceleration program - \$8.0
- Establish regional career placement centers - \$7.8
- All other workforce/economic development proposals - \$50.0 mil.
- Early learning capital incentive program with objective of increasing supply of childcare centers in underserved areas, administered by DHCD in partnership with DOE and SCHEV - \$25.0

Health and Human Service (GF \$ mil.)



- Increase Medicaid utilization and inflation by \$714.0 m and increase GF by \$508.9 m to offset reduced Health Care Fund revenues for Medicaid (compared to Chapter 2 base).
- \$97.1 m for Children’s Services Act due to increased caseload as well as rate increases for various services, including special education private day school services, foster care maintenance payments, and residential services.
- \$47.0 m to fund Family Access to Medical Insurance Security utilization and inflation.
- \$41.6 m for increased rates for Medicaid personal care, respite, and companion services
- \$17.4 m for increased Medicaid reimbursement rates for community-based mental health services.
- \$45.1 m for Dept. of Social Services to support kinship and alternative living arrangements, an income verification for public benefits contract increase, a TANF grant shortfall, and fund foster care and adoption cost of living adjustments
- **Mental Health:**
 - Add developmental disability waiver slots - \$150.3
 - Fund additional crisis services - \$35.6
 - Mental Health Treatment Centers salaries increases - \$36.4
 - Expand DBHDS mobile crisis teams, psychiatric emergency programs, and programs to individuals under involuntary commitment orders - \$29.5
 - **Support K-12 and Higher Ed student access to mental health services - \$20.4**
 - Enhance the Dept of Health Behavioral Health Loan Repayment Program - \$10.0
 - All other remaining GF “Right Help Right Now” proposals - \$34.1

Natural Resource Funding (GF \$ mil.)



- Virginia Agricultural Cost Share and nonpoint source pollution programs – \$138.1
- Virginia Community Flood Preparedness Fund - \$100.0
- Norfolk Coastal Storm Risk Management Project - \$73.9
- Richmond Combined Sewer Overflow project - \$50.0
- Bristol landfill remediation - \$35
- Resilient Virginia Revolving Loan Fund - \$25
- Chesapeake Bay monitoring and assessment efforts - \$8.5
- Dam Safety, Flood Prevention and Protection Assistance Fund - \$5.0

Other Major Spending Proposals (GF \$ mil.)



- **\$109 m for two bonus payments, each equal to one percent of salary for full-time state employees and state-supported local employees, effective December 1, 2024 and December 1, 2025. \$59.6 m for a one percent salary increase effective June 10, 2025 for state employees. State-supported local employees will receive a one percent salary increase effective July 1, 2025.**
- \$150 m for Virginia Technology Infrastructure Fund to support the upgrade, replacement, and modernization of critical technology systems across state agencies, including efforts to mitigate cybersecurity risks.
- \$106 m for agency health insurance premium cost increases.
- \$70 m to accelerate the Interstate 81 corridor project and \$20 m for the Transportation Partnership Opportunity Fund
- \$83.7 m for increased debt service costs
- \$52 m in additional funding for the SEC Health Reinsurance Program (buy down insurance premiums for the state marketplace health insurance exchange)
- \$42.9 m to transition Lawrenceville Correctional Center to state management
- \$42.9 for operations of the Eastern Virginia Health Sciences Center
- \$30.5 m to support start-up operations for Jones & Cabacoy and Puller Veterans Care Centers
- \$20 m for SCHEV student access to internships
- \$18.9 m to fund a career progression program for correctional officers
- \$18 m for a law enforcement recruitment and wellness program.

JLARC K-12 Recommendations



According to JLARC, the “State SOQ formula yields substantially less funding than actual division spending and benchmarks”. Using FY 2022 data, the study found that Virginia school divisions receive 14 percent less (\$1,900 per student) than the 50-state average.

- The state SOQ only recognizes 2/3 of actual staff employed by school divisions, with the single largest unrecognized staff category being teacher aides. (**\$1.86 billion/yr.**)
- The need to cover all higher cost-of-living school divisions with a newer, more accurate cost adjustment. (**\$595 mil./yr.**)
- The need to use a re-benchmarking process that covers real-time school division costs. (**\$490 mil./yr.**)
- The prevailing salary cost methodology assumes every school district has equal weighting in the formula, thus skewing SOQ recognized salaries toward lower rural small division salaries rather than much more numerous teacher large division salaries. (**\$190 mil./yr.**)
- Not restoring the temporary cuts adopted during the 2009 recession, including the support position cap, certain non-personal expenses, and the federal deduct calculation. (**\$116 mil. remaining support cap + \$150 mil. other**)
- Inadequate state support for more difficult to educate students, including economically-disadvantaged, English language learners, and special education students. (**\$250 mil./ yr.**)
- Not recognizing the lack of economies of scale and more support needed in small school divisions. (**\$90 mil./yr.**)

Near-Term JLARC Recommendations



- Consolidate two largest at-risk programs into new SOQ At-Risk Program
 - JLARC found more funds needed to educate at-risk students. The study found that at-risk funding programs do not provide divisions with consistent base amount for each at-risk student. Currently old, inaccurate data used. Also recommends combining the SOQ PIR and the Incentive programs into the SOQ.

Discontinue Great Recession-era cost reduction measures

Calculate prevailing costs using overall division weighted average, rather than “Linear Weighted Average”

Address technical issues with the formula

Direct further study of special education staffing needs

- **See HB 624 (Rasoul). Companion Budget amendment #125 7H \$924 m in FY 2025 and \$936 m in FY 2026 (almost \$600 mil. for special education staffing needs)**

Other Critical Near-term Gaps in State Funding

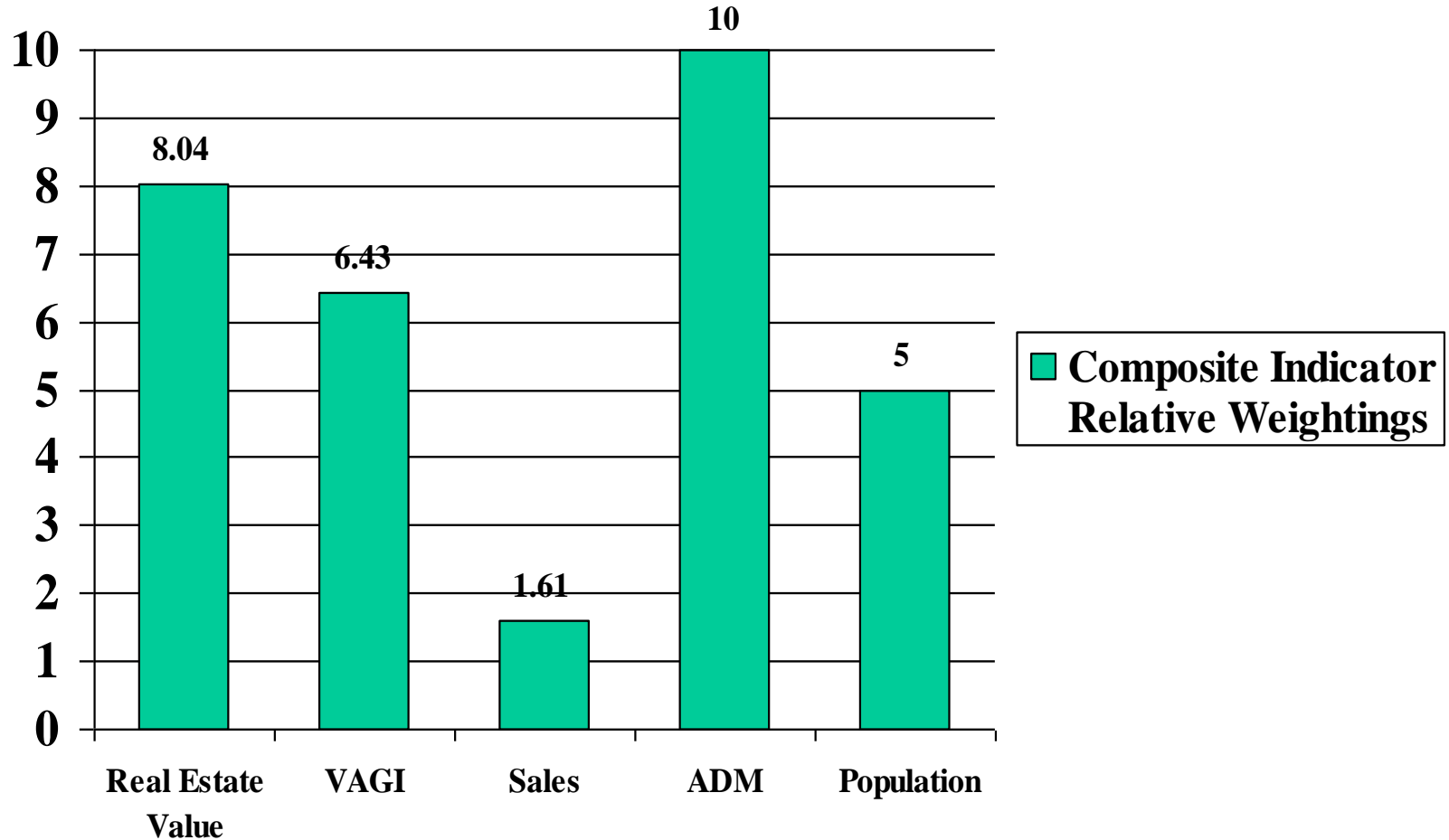


- Full elimination of the support cost cap would cost \$116 mil./yr. or an additional increase of 2.3 positions per 1,000 students (from 24 to 26.3 positions).
- State funding for instructional aides and assistant principals
 - Out of 21,300 employed, only 2,837 aides were state funded in the SOQ in FY 2022. SOQ: If the average daily membership in any **kindergarten** class exceeds 24 pupils, a full-time teacher's aide shall be assigned.
 - Gap in SOQ funding is over \$400 million for local school divisions.
 - Only 920 assistant principals are funded by the state SOQ out of over 2,800 employed by school divisions.
- Resolving the gap in teacher supply
 - Adequate salaries to attract/keep teachers (at a minimum keeping pace with inflation)
 - Declining enrollment in teacher preparation programs - remove financial barriers to encourage potential teachers to enroll in teacher preparation programs
 - Find ways to provide teachers with the support they need to minimize burnout (teacher aides?)
- Additional school renovation and construction support.
 - \$850 mil. In FY 2023 was one-time.
 - At least \$25 bil. in documented needs.
 - Extend 1% sales tax option to all localities?

Appendix



Average Daily Membership has the Highest Relative Importance in the Composite Index



Public Education Funding



Article VIII and Article X - Virginia Constitution:

- “The **General Assembly** shall provide for a system of free public elementary and secondary schools 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.”
- “**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.”
- **Literary Fund**... the General Assembly may set apart all or any part of additional moneys received into its principal for public school purposes, including the teachers retirement fund...
- **Lottery Proceeds** shall be appropriated from the Fund to the...counties, cities and towns, and the school divisions thereof, to be expended for the purposes of public education

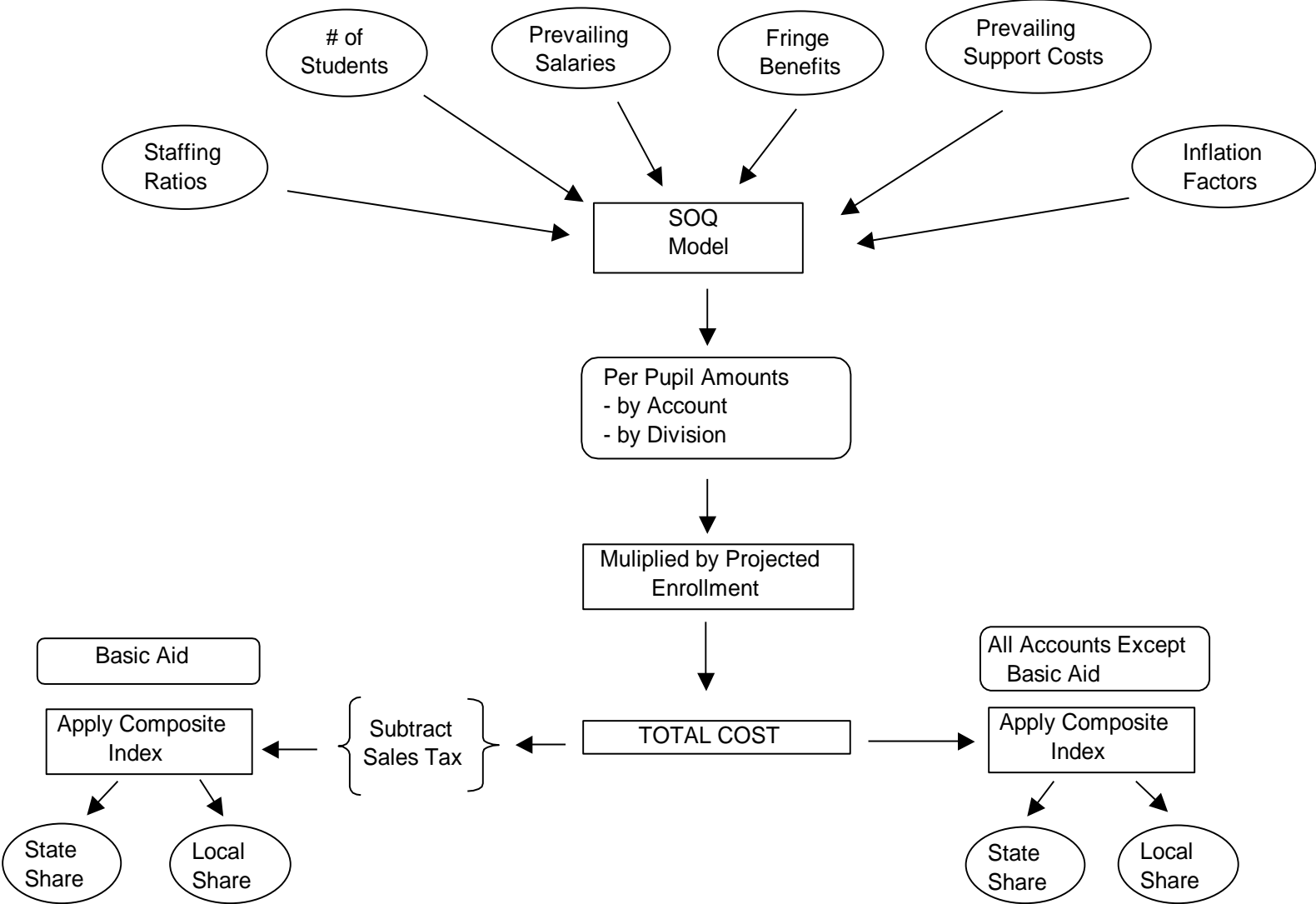
Standards of Quality

(Code of VA § 22.1-253.13.2)



- Standard 1 - Instructional standards
- **Standard 2 - Staffing standards**
- Standard 3 - Accountability, Accreditation, Assessment
- Standard 4 - Graduation requirements
- Standard 5 - Professional development standards
- Standard 6 – Planning/public involvement expectations
- Standard 7 - School board policy expectations
- Standard 8 - Compliance

SOQ Funding Process



SOQ Staffing Standards



- **General Classroom Teacher:**
 - 1 per 24 students in K-3rd grade
 - 1 per 25 students in 4th grade
 - 1 per 21-25 students in 5th-7th grade
 - 1 per 21 students in 8th-12th grade
- **Elementary art, physical education or music:**
 - 1 per 200 students
- **Gifted teacher:** 1 per 1,000 students
- **Vocational teacher:** Prevailing ratio of staff per 1,000 students enrolled in vocational classes
- **Prevention, Intervention Remediation teacher:** Variable ranging from 1 per 10-18 students determined by SOL failure rates
- **Special Ed teacher:** Complex set of 60 ratios
- **English Language Learner:** 1 per 50 ESL students
- **K-5 Resource Teachers** 5:1,000 students in K-5
- **Reading Specialists K-5:** 1 FTE per 550 | 6-8: 1 FTE per 1,100
- **School Counselors** 1:325 students
- **IT Resource & Support** 2:1,000 students
- **Teacher Aides:** **1 per kindergarten teacher with more than 24 students**
- **Principle:** 1 per school
- **Assistant Principle:** **0.5-1 per 600 to 900 students. 0 for schools below 600 student. Maximum 1 per elementary school.**
- **Librarian/media specialist:** 0.5-2 per school depending on size and level.

SOQ Staffing Standards



- **Support Positions**
 - Specialized Student Support (social workers, psychologists, nurses) 3:1,000
 - Other support positions capped at 24 positions per 1,000 students (pre-2009 was 26.3 positions) such as:
 - executive and central office
 - operations and maintenance
 - transportation
 - clerical

Prevailing SOQ Salaries



	Biennium			Since 2022-24	Since 2012-14
	<u>2012-14</u>	<u>2022-24</u>	<u>2024-26</u>	<u>% Increase</u>	<u>% Increase</u>
Elementary Teachers	\$45,118	\$53,996	\$61,514	13.9%	136.3%
Elementary Assistant Principals	\$63,824	\$75,435	\$84,990	12.7%	133.2%
Elementary Principals	\$78,510	\$93,869	\$105,277	12.2%	134.1%
Secondary Teachers	\$47,267	\$56,977	\$65,655	15.2%	138.9%
Secondary Assistant Principals	\$67,824	\$81,093	\$91,978	13.4%	135.6%
Secondary Principals	\$86,464	\$102,844	\$115,271	12.1%	133.3%
Instructional Aides	\$16,223	\$21,304	n/a	n/a	n/a

Estimating SOQ Costs



- **Staffing Ratios X Projected Enrollment = Number of Funded Positions**
x **Prevailing Salaries and Benefit Costs = Personnel Costs**
 - **Projected Enrollment x Prevailing Support Costs = Non-Personnel Costs**
-
- Staffing ratios amended only by the General Assembly
 - Prevailing salaries and benefits and prevailing support costs rebenchmarked biennially based on historic costs, inflation adjustments, and appropriated salary increases
 - Enrollment updated annually