

TO: Interested Parties
FROM: Laura Goren, The Commonwealth Institute
DATE: Dec 12, 2023
RE: K12 rebenchmarking questions

In advance of Governor Youngkin's budget release on December 20 and the 2024 legislative session, this memo seeks to clarify two questions about this year's rebenchmarking process for public education funding. Please do not hesitate to contact me at laura@thecommonwealthinstitute.org or call (804) 396-2051 if you have any questions.

- 1) *Differences in rebenchmarking estimates:* We have received several questions about why the November 3 [rebenchmarking estimates from the Department of Planning and Budget](#) were much lower than those shown on page 45 of the November 14 House Appropriations Committee [\(HAC\) presentation](#). *Most of this difference is due to presentation style, not substantive calculation or data differences.* The HAC presentation showed the deductions for one-time spending in an earlier section of the presentation in order to show the full cost of regular rebenchmarking, while the DPB memo shows the deductions for one-time spending within the rebenchmarking table. The Senate Finance and Appropriations [\(SFAC\) presentation on public education](#) shows both the total and net amounts on page 25. There are some smaller differences that are due to more data being available in later November.
- 2) *Federal offset deduction:* The rebenchmarking calculations from the Department of Planning and Budget (DPB) include a much larger federal revenue deduction each year than in past years, **resulting in \$388 million less in state funding for basic aid** over the biennium (see [Step 13 in DPB's memo](#)). As HAC staff note on [page 43 of this presentation](#), this is due to higher spending of federal funds in 2022, and results in a maximum reduction in state aid of \$609 per pupil, compared to a maximum of \$197 per pupil in the current budget. Substantively, this offset is intended to deduct federal funding from how much the state and local government are required to contribute: [JLARC notes](#) that the federal offset deduction "is intended to account for the fact that federal funding will pay for a portion of school division support costs" (this JLARC discussion of the federal offset was unrelated to the one-time federal funding).

As a result of how this is calculated, the one-time boost in federal funding during the 2021-2022 school year that was intended for pandemic response will reduce state funding for schools in the upcoming two school years (2024-2025 and 2025-2026) by \$388 million unless policymakers act to correct this artifact of the formula.

Background information on rebenchmarking:

Every two years, the Department of Planning and Budget, in cooperation with the Department of Education, undertakes *rebenchmarking*, which is a technical process that updates the cost of funding current educational programs with new enrollment data, inflation adjustments, and local prevailing costs.¹ *Rebenchmarking does not provide any additional programs or investments—in other words, it's the cost of business as usual.*

¹ <https://budget.lis.virginia.gov/item/2023/2/HB6001/Chapter/1/137/> section B.14.