

# Status Report: How is Virginia Doing on Implementing JLARC's K-12 Funding Recommendations?

By Levi Goren

Great public schools are the foundation of great communities. And with adequate education funding, every public school can provide a quality education. Even a 10% increase in public education funding can lead to increased income earnings and a decreased risk of poverty for students later in life.

Virginia's nonpartisan research agency, the Joint Legislative Audit and Review Commission (JLARC), has provided a blueprint for how policymakers can improve the school funding formula to make sure the state pays its fair share.

In November 2023, the Fund Our Schools (FOS) coalition endorsed a number of the JLARC recommendations and one policy option (marked below with an asterisk) that would boost resources to better meet the needs of Virginia students. These items were selected based on the priorities of students, parents, teachers, and other stakeholders who are members of the FOS coalition and the coalition's analysis of the feasibility for near-term implementation; lack of endorsement does not in any way imply that FOS opposes a recommendation or policy option.

Legislators made some important progress toward implementing these recommendations during the 2024 budget process, including updating and boosting support for students from low-income families. Yet much more work remains to implement JLARC's near- and long-term recommendations and to make sure every student, regardless of zip code, has the support they need to reach their full potential and thrive.

The next step is a report this fall with initial recommendations and an implementation plan from the Joint Subcommittee to Study Elementary &

Secondary Education Funding, as directed in budget language:

*As part of its oversight, the Joint Subcommittee shall: (i) review the recommendations and policy options offered in the Joint Legislative Audit and Review Commission's July 2023 report, "Virginia's K-12 Funding Formula"; (ii) determine the appropriateness of implementing each recommendation or policy option, (iii) propose appropriate amendments to each recommendation or policy option and (iv) develop a long-range plan for the phased implementation of its recommendations. In its deliberations, the Joint Subcommittee shall consider the long-term fiscal implications of each recommendation.*

*The Joint Subcommittee shall submit initial recommendations and an implementation plan to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees no later than November 1, 2024.*

As part of this process, policymakers should seriously consider the merits and possible drawbacks of JLARC's "policy options," which include ideas to simplify the state funding formula through using per-pupil calculations rather than complicated staffing calculations, and several ideas to tweak Virginia's local composite index, which seeks to measure local revenue capacity and determines how much of the cost of education will be carried by the state versus left to the local government.



The Commonwealth Institute advances racial and economic justice in Virginia by advocating for public policies that are designed in partnership with people most impacted, and shaped by credible, accessible fiscal and policy research.



Here's the status of the JLARC recommendations and policy options as of July 2024:

## Recommendations:

### Updating and improving Virginia's funding supplements for students in lower-income communities with more barriers

**Progress:** Early in 2024, legislators baked into the state budget the implementation of Recommendation 9, switching the data source to the updated identified student percentage data, and recommendation 10, consolidating of the at-risk add-on and prevention, intervention, and remediation programs. These improvements are taking effect for the 2024-2025 school year. Legislators also boosted funding for this program that supports students from low-income families by \$371 million over the next two years. This allowed policymakers to provide a new per-student add-on, as was recommended by JLARC, as well as boosting the concentration of poverty add-on.

**Remaining work:** The Virginia House and Senate passed legislation in 2024 (HB 624 and SB 105) to implement recommendation 8 and move the At-Risk Add-on program to the main Standards of Quality (SOQ) funding formula. However, these bills were vetoed by Governor Youngkin, leaving this critical support for students from low-income families as an optional "add-on." Policymakers should continue working to implement this JLARC recommendation. Furthermore, because the same vetoed non-budget legislation that implemented Recommendation 8 also codified Recommendation 10, those improvements are at risk of going away in future budget processes. Policymakers will need to either make sure future budgets continue these improvements or codify them using legislation.

#### Details:

Recommendation	What It Says	Where We Are
*8 (near-term)	Move supplemental funding for students living in lower-income communities into the state's main school funding formula (SOQs) to ensure students receive this critical funding, rather than keeping it as an optional "add-on."	Implementing legislation vetoed by Governor Youngkin on May 17, 2024.
*9 (near-term)	Use the more up-to-date Identified Student Percentage (ISP) measure to calculate funding for all programs that currently rely on outdated and inaccurate free lunch estimates.	Implemented through budget language
*10 (near-term)	Consolidate the separate At-Risk Add-On and Prevention, Intervention, Remediation programs and create a new supplement for low-income students under the SOQs. Funding for the new supplement could be allocated based on each school division's weighted ISP, with 60% of funding being distributed using a flat per student rate and 40% being distributed using a variable rate, with those school divisions with the highest concentrations of low-income students receiving the highest amounts.	Implemented through budget language. Accompanying legislation vetoed by Governor Youngkin on May 17, 2024

\*endorsed by FOS Coalition for the 2024 legislative session

## Making sure Virginia pays its share of the real costs to educate our students while making the formula simpler and more accurate

JLARC recommended a number of near- and long-term changes that would boost funding for Virginia students and make calculations fairer. Unfortunately, with the exception of some funding to partially lift the arbitrary cap on state funding for support staff, these recommendations have not yet been implemented.

### Details:

Recommendation	What It Says	Where We Are
*1 (near-term)	<i>Make technical improvements</i> to the Standards of Quality (SOQ) formula and compensation supplement calculations to stop leaving out division central office positions, facility and transportation staff, and certain other costs from various calculations.	Not yet implemented. JLARC estimated state cost \$45 million per year as of FY23.
*3 (long-term)	<i>Establish SOQ staffing ratios that accurately reflect how divisions are staffed.</i> These should be developed by the VDOE in consultation with school divisions and the Board of Education.	Not yet implemented. JLARC estimated state cost \$1,860 million per year as of FY23.
*4 (near-term)	<i>Remove the hidden cuts to school funding that were built into the SOQs during the Great Recession,</i> including (i) fully lifting the arbitrary cap on state funding for student support staff (“support cap”), (ii) reinstating the non-personal cost categories removed in FY09 and FY10, and (iii) reinstating the federal fund deduction methodology used prior to FY09.	Partially implemented as part of the September 2023 budget package that included funding to partially lift the support cap. Remaining state cost approximately \$400 million per year.
5 (long-term)	<i>Direct VDOE to update the cost assumptions for school division employee salaries when doing the biennial SOQ rebenchmarking process</i> to better reflect current salaries paid by school divisions.	Not yet implemented. JLARC analysis shows cost is dependent on implementation year, and could vary from cost savings to \$490 million per year.
*6 (near-term)	<i>More fairly calculate salary and other costs</i> using division averages, rather than the “linear weighted average” that undercounts Virginia’s largest school divisions and results in prevailing cost assumptions that are well below actual costs for the majority of local school divisions.	Not yet implemented. JLARC estimated state cost \$190 million per year as of FY23.
12 (long-term)	<i>Replace the current cost of competing adjustment</i> with a more accurate adjustment based on a Virginia cost of labor index that better accounts for differing labor costs across school divisions.	Not yet implemented. JLARC estimated state cost \$595 million per year as of FY23.
13 (long-term)	<i>Include an economies of scale adjustment</i> to provide additional funding to school divisions with fewer than 2,000 students.	Not yet implemented. JLARC estimated state cost \$90 million per year as of FY23.

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## Improving data collection and reporting for future substantive improvements

JLARC recommended directing VDOE to calculate and report on several measures to help policymakers and the public understand and be able to improve funding for Virginia’s students. Unfortunately, these recommendations have not yet been implemented.

### Details:

Recommendation	What It Says	Where We Are
*2 (long-term)	<i>Direct VDOE to develop and propose a new set of fixed and prevailing staffing ratios for the Standards of Quality formula, in consultation with school divisions and other stakeholders, to accurately reflect how divisions are staffed and be simpler, easier to apply, and comprehensive.</i>	Not yet implemented.
11 (near-term)	<i>Direct VDOE to develop and report new special education staffing needs estimates in collaboration with school division staff and outside experts as needed.</i>	Not yet implemented.
16	<i>Direct VDOE to biennially calculate, compare, and report on differences between the fixed staffing ratios in the SOQ formula and actual ratios in Virginia school divisions, so that fixed ratios can be regularly adjusted as needed.</i>	Not yet implemented. Legislation unanimously passed the House of Delegates in 2024 but did not advance from Senate Finance and Appropriations. FIS from 2024 legislation indicates a \$30,000 one-time cost for systems update.

## Separate SOQ formula determination from budget process

JLARC made several recommendations to separate the Standards of Quality (staffing formula) determination from the budget process so that the formula reflects student needs, rather than being adjusted to match the resources that policymakers are able to provide to meet those needs. These are not yet implemented.

### Details:

Recommendation	What It Says	Where We Are
14	<i>Amend the Code of Virginia to state that it shall consider the funding amounts calculated by the Standards of Quality (SOQ) formula when determining the amount of funding needed to maintain an educational program meeting the prescribed SOQs, but shall not be obligated to appropriate the amounts calculated by the formula.</i>	Not yet implemented.
15	<i>If implement Recommendation 14, consider eliminating the current SOQ staffing standards and direct the Board of Education to establish all staffing ratios used in the SOQ formula.</i>	Not yet implemented.

*\*endorsed by FOS Coalition for the 2024 legislative session*

## Improve VDOE systems and processes

JLARC made several recommendations to direct and fund improvements to VDOE information technology and finance systems and processes (Recommendations 17-20). It does not appear that these have been funded or implemented.

## Stabilizing state/local funding splits

JLARC recommended using three years of data for calculating the local composite index, rather than a single year, to limit sudden swings that can negatively impact funding for students and create challenges for local budgets.

### Details:

Recommendation	What It Says	Where We Are
*7 (near-term)	Limit sudden swings in the Local Composite Index by using three-year averages, rather than a single year, when updating calculations every other year.	Not yet implemented. JLARC analysis shows little state fiscal impact.

## Policy Options:

JLARC staff typically make recommendations to address findings during reviews. Staff also sometimes propose policy options rather than recommendations. The three most common reasons staff propose policy options rather than recommendations are: (1) the action proposed is a policy judgment best made by the General Assembly or other elected officials, (2) the evidence indicates that addressing a report finding is not necessarily required, but doing so could be beneficial, or (3) there are multiple ways in which a report finding could be addressed and there is insufficient evidence of a single best way to address the finding. – JLARC, Virginia’s K-12 Funding Formula, July 2023

In the July 2023 report on K-12 funding, JLARC staff offered five policy options. Policymakers have not yet made significant changes related to these options, instead deferring to the future work of the joint subcommittee in most areas.

Option	What It Says	Where We Are
1	<b>Develop and implement a funding plan to increase compensation</b> to achieve the statutory goal of Virginia teacher salaries being at or above the national average.	Not yet implemented. The House and Senate passed legislation in 2024 to instruct the governor to include funding sufficient for the state’s share of the costs to increase the average teacher salary in the commonwealth to at least the national average teacher salary by the end of the 2026–2028 biennium. However, Gov. Youngkin vetoed this legislation on May 17, 2024. The final FIS for the legislation showed an initial state cost compared to the introduced budget of \$123 million to \$203 million, rising to \$614 million to \$859 million in FY28. However, the legislature’s budget provided more funding for teacher and staff pay than was included in the introduced budget. This reduces the future costs to the range of \$190 million to \$435 million by FY28, depending on assumptions.

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Option	What It Says	Where We Are
2	<p><b>Direct that a locality's student enrollment and general population be equally weighted in the calculation of the local composite index</b> for Standards of Quality funding, rather than weighting student enrollment two-thirds and the general population one-third. This would better recognize that local governments have significant costs beyond K-12 education.</p>	<p>Not yet implemented. JLARC staff estimated this change would reduce state costs by \$45 million.</p>
3	<p><b>Replace the local composite index with a revenue capacity index</b>, which would more accurately measure local ability to pay by better measuring local tax capacity.</p>	<p>Not yet implemented. JLARC staff estimated this change would reduce state costs by \$85 million.</p>
4	<p><b>Replace the entire staffing-based SOQ formula with a new student-based formula</b> that is based on actual average school division expenditures.</p>	<p>Not yet implemented. The state costs for a new per-pupil funding formula would be dependent on the selected base student funding amount and weights for high-needs students. JLARC modeled one set of options that they estimated would require \$1,165 million in additional state support above FY23 levels.</p>
*5	<p><b>Simplifying and boosting funding for students with disabilities and English language learners</b> by replacing the current SOQ formula calculations for special education and English as a Second Language with student-based funding calculations that are based on actual average school division expenditures.</p>	<p>Mostly not implemented. Details below. JLARC estimated that meeting the state's share of actual average division expenditures for students with disabilities would cost \$480 million per year.</p>

**Status: Some funding progress for ELL students.** As part of the budget process during winter and spring 2024, Virginia legislators provided a significant boost in the number of instructors for English language learners that the state helps fund, especially for students with the lowest levels of English proficiency. However, accompanying legislation to reflect the proficiency-based funding amounts was vetoed by Governor Youngkin on May 17, 2024, which means that continued improvements are fully dependent on future budget language or legislative action. During the 2024 session, policymakers also provided \$2.2 million per year to establish eight regional special education family support centers and boosted professional development and coaching, but did not significantly increase funding for instruction for students with disabilities.

**And much remaining work:** Policymakers have not provided anywhere near the amount of additional state support for students with disabilities that JLARC estimates is needed based on current actual average school division expenditures, not to mention how much is needed to truly meet the needs of students with disabilities. Additionally, policymakers may still want to consider adopting per-student funding supplements rather than the current complex staffing ratios, which would increase local flexibility to meet the needs of students.

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