

VIRGINIA

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I. GENERAL BACKGROUND

State

In 1998–99, 85% of state funds allocated for K–12th grade education supported the Standards of Quality (SOQ). The Standards of Quality, adopted by the Board of Education, represent the minimum requirements for a high quality program in all school divisions (i.e. districts) across the Commonwealth. The State General Assembly is charged with determining the manner in which the funds shall be provided for SOQ costs and apportioning the costs between the state and localities. The current methodology for calculating the cost of the Standards of Quality became effective in the 1988–89 school year.

The majority of state funds provided for public education are appropriated from state general funds. In 1998–99, the state general fund contributed 80.75% of the total state aid provided for public education; revenue from one cent of the state sales tax dedicated to public education accounted for 19.25% of state aid.

The state share of school operating costs has remained relatively constant over the last 20 years. In 1980–81, the state provided funds for 45% of the total operating costs. This percent increased to 47% for the 1985–86 through the 1987–88 school years. The state share slipped to 44% in 1992–93 but increased to 46% by 1998–99.

Local

There are 137 fiscally dependent local school divisions in Virginia. The local school boards do not have taxing authority. In addition, there are no local tax sources earmarked specifically for public education. The local governing bodies (i.e., county board of supervisors and city councils) are responsible for approving the school budgets submitted by the local school boards and appropriating local funding.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$ 3,471.8 million
Grants in aid*	3,250.9 million	
Teacher Retirement Contributions	113.8 million	
FICA	107.1 million	
Total Local School Revenue**		\$ 3,644 million
Property Tax	0 million	
Other local source tax revenue	0 million	
Local source non-tax revenue	0 million	
Total Combined State and Local School Revenue		\$ 7,115.8 million
State Financed Property Tax Credits		
Attributable to School Taxes		0

*Includes \$668.4 million in earmarked revenue generated from one cent of the state sales tax dedicated to public education.

**Projected.

II. LOCAL SCHOOL REVENUE

For 1996–97 (latest available data), the major sources of local revenue for public education came from the real estate tax (41%), tangible personal property tax (15%), sales tax (7%) and other miscellaneous taxes.

Property Tax

Real Estate Property Taxes. Real estate taxes are levied on residential, commercial, agricultural, and industrial properties. The basis of the tax is the fair market value of the property. General reassessments are required every two years for cities and every four years for counties and towns. However, several localities provide reassessments on an annual basis.

Counties, cities, and towns may levy and assess taxes and charge license fees on motor vehicles, trailers and semi-trailers. The amount of the license fee or tax may not be higher than the amount of the license tax imposed by the Commonwealth.

Local authorities may determine the manner, basis, and period to impose the license fee or tax.

Tangible Personal Property Taxes. The tangible personal property tax is levied primarily on automobiles. The rate of tangible personal property taxation for automobiles varies by a locality's use of three variables: assessment value, assessment ratio, and nominal rate. Each locality is free to select the assessment method and ratio. The local commissioner of revenue determines which pricing guide is to be used to establish assessment values, and determines whether to use an automobile's retail, trade-in, or loan value as the assessment base. Also, the local commissioner of revenue determines the assessment ratio (percent of assessed value applied to statutory rate). The local governing body, however, sets the tax rate. The State Department of Taxation conducts periodic equalization studies, comparing market price to assessed values, to determine if an adjustment is needed.

In April 1998, the General Assembly passed the Governor's Personal Property Tax Relief Act of 1998. This Act eliminates, over a period of 5 years, the car tax on approximately 90% of all Virginia vehicles. When fully phased-in, taxpayers will pay no car tax on the first \$20,000 of a vehicle's value. Tax on vehicles valued at \$1,000 or less will be reimbursed at 100% beginning in 1998. The phase-in is contingent on the Commonwealth's ability to pay for each phase of the tax relief. Localities are reimbursed by the state to make up the lost revenue.

Income Tax

N/A.

Other Sources of Local Tax Revenue

Sales Tax: Revenue generated by one cent of the total 4.5 cents state sales tax is earmarked for public education. In 1998–99, \$668.4 million was distributed on the basis of school age census.

Tax Credits and Exemptions

N/A.

III. TAX AND SPENDING LIMITS

Tax Limits

Virginia is a “Dillon Rule” state; therefore, local governments have only the powers that are specifically granted by the legislature. Article X, Section 4 of the Virginia Constitution segregates property for local taxation only. In addition, counties and cities have specified and limited authority to levy taxes on certain licenses, the recordation of property, wills, lodging (transient occupancy) and the consumer use of utilities. Cities have the authority to levy excise taxes on cigarettes, admissions, meals, and travel campgrounds. Only a few counties, however, have the authority to levy these excise taxes, but with restrictions. Cities can levy the meal taxes without restriction to rate; most counties can levy it only with public voter approval and only up to 4%.

Spending Limits

There is no state imposed limit on the amount of funds localities can spend on public education.

Voter Approval of Budgets and Bond Issues

In Virginia, county supervisors or city councils are responsible for setting tax rates for all purposes and for approving, and appropriating local funds for school budgets submitted to them by local school boards.

Cities may issue general obligation bonds without a referendum. The total debt outstanding, however, may not exceed 10% of the assessed value of the real property in the locality. Counties are not subject to any ceiling, but have to submit the general obligation issue to referendum for voter approval. However, localities are not required to go to referendum to issue bonds to the Virginia Public School Authority or to receive a Literary Fund loan.

IV. STATE/PROVINCIAL EARMARKED REVENUE

One cent of the state's 4.5 cents sales tax is earmarked for school aid. In 1998–99, \$668.4 million was distributed to the local school divisions from this revenue source. These funds are distributed to the local school divisions proportionally based on the proportion of school-aged population residing in the locality. This amount represents 19.25% of the total 1998–99 state school aid. The balance of the state school aid comes from the state general fund.

V. BASIC SUPPORT PROGRAM

Funding in 1998–99: \$1,739.9 million.

Percentage of Total State Aid: 50.1%.

Nature of Program: Minimum foundation program. The Board of Education is responsible for adopting the Standards of Quality (SOQ). The Standards of Quality represent the minimum requirements for a high quality program in all school divisions across the Commonwealth.

Allocation Units: Pupils, based on average daily membership (ADM). The March 31 ADM is equal to the total daily enrollment for the preceding seven months divided by the number of school days in the seven month period.

Local Fiscal Capacity: Composite Index of Local Ability-to-Pay. The Composite Index is a measure of ability to pay that reflects the true value of real estate property (local property assessment amounts adjusted for actual sales to reflect true value of property), local taxable retail sales, and adjusted gross income as a proxy for all other local revenue sources. The Composite Index is the weighted sum of the Average Daily Membership Composite Index and the Per Capita Composite Index. The Composite Index is then multiplied by the average local share to determine the Local Composite Index. In 1998–99, the statewide average local share established by the General Assembly is 45%. The index represents the proportional state and local shares of required education costs.

The Average Daily Membership Composite Index equals:

$$.5 \times \frac{\text{Local True Value of Real Property} / \text{Local ADM}}{(\text{Total Local True Value of Real Property Statewide} / \text{Total ADM Statewide})}$$

plus

$$.4 \times \frac{(\text{Local Adjusted Gross Income} / \text{Local ADM})}{(\text{Total Adjusted Gross Income Statewide} / \text{Total ADM Statewide})}$$

plus

$$.1 \times \frac{(\text{Local Taxable Retail Sales} / \text{Local ADM})}{(\text{Total Taxable Retail Sales Statewide} / \text{Total ADM Statewide})}$$

The Per Capita Composite Index equals:

$$.5 \times \frac{(\text{Local True Value of Real Property} / \text{Local Population})}{(\text{Total Local True Value of Real Property Statewide} / \text{State Population})}$$

plus

$$.4 \times \frac{(\text{Local Adjusted Gross Income} / \text{Local Population})}{(\text{Total Adjusted Gross Income Statewide} / \text{State Population})}$$

plus

$$.1 \times \frac{(\text{Local Taxable Retail Sales} / \text{Local Population})}{(\text{Total Taxable Retail Sales Statewide} / \text{State Population})}$$

For 1998–99, the local Composite Index equals:

$$[(.6667 \times \text{ADM Composite Index}) + (.3333 \times \text{Per Capita Composite Index})] \times .45$$

The local Composite Index is capped at .80 for localities with high ability to pay, ensuring the state provides at least 20% of the cost of the foundation program for each pupil. In 1998–99, the local Composite Indices ranged from .1861 to .8000. Therefore, the state share ranged from 81.39% to 20% of the calculated SOQ cost.

How Formula Operates: The estimated cost of the programs required by the SOQ are calculated for each school division. The calculated cost of these programs are shared between the state and the local school divisions.

1. A per-pupil amount is calculated for each school division. This per-pupil amount includes costs for instructional and support positions and non-personnel items. The required number of instructional positions is calculated for each division based on actual student enrollment on September 30th and SOQ staff requirements. Required instructional positions are calculated for each school/grade and then consolidated to the division level. Support costs are calculated based on the prevailing statewide cost. Support costs include such things as support salaries for non-instructional professional and non-professional personnel, non-personal costs, fringe benefits, maintenance, and fixed charges.
2. The per-pupil amount is multiplied by the March 31 ADM to determine total cost for each school division. The March 31 ADM is equal to the total daily enrollment for the preceding seven months divided by the number of school days during this period.
3. The local school division's share of the one cent sales tax revenue is subtracted from the total cost.
4. The remaining cost is multiplied by the local composite index to determine the local share of the cost. The balance of the remaining cost is the state share of the calculated SOQ cost.

State Share: The state share is equal to the calculated total cost of the SOQ for the district minus district revenues received from the 1¢ sales tax and the district local share of the SOQ.

Local Share: The composite index is used in the basic aid formula to determine each locality's portion of the SOQ basic operating cost. The local share is equal to the calculated total cost of the SOQ for the district minus district revenues received from the one cent sales tax multiplied by the local composite index. Local school divisions are required to fund the local share of the calculated SOQ cost from local funds. In addition, cost for programs “above” the requirements of the Standards of Quality are funded entirely from local funds.

Weighting Procedures: None.

Adjustments for Special Factors: The per-pupil cost for the school divisions in the Northern Virginia area (near Washington, D. C.) includes a cost of competing factor to reflect the higher cost of living for that area. A 9.83% add-on is provided for instructional salaries and a 19.07% add-on for support salaries to total SOQ cost in nine northern Virginia school divisions. This amount is then divided by the number of pupils in these districts to reflect the add-on in the per pupil amount.

Aid Distribution Schedule: Most state funds are distributed bi-monthly to local school divisions.

Districts Off Formula: None.

VI. TRANSPORTATION

Funding in 1998–99: Estimated to be approximately \$285 million state-local cost.

Percentage of Total State Aid: N/A.

Description: Pupil transportation costs are included in the basic aid cost calculated for each school division. Costs are calculated for regular education pupils, handicapped pupils transportation, special arrangement for handicapped pupils (i.e., vans, taxis, parental transport), public transit and bus replacement costs. Varying transportation costs are recognized based on two factors: (1) land size measured in square miles as two categories - small (less than 80 square miles); and large (more than 80 square miles) and (2) the number of students transported. The costs are calculated based on the 1995–96 prevailing per-pupil costs for each type of transportation, with an inflation factor applied to reflect increased costs from the base-year to the budget year.

Regular Education Pupils:

Number of Pupils Transported

<u>Area</u>	<u>Low Third</u>	<u>Medium Third</u>	<u>High Third</u>
Small	\$131.21	\$118.01	\$200.96
Large	\$361.87	\$275.42	\$211.80

Disabled Pupils:

Number of Pupils Transported

<u>Area</u>	<u>Low Third</u>	<u>Medium Third</u>	<u>High Third</u>
Small	\$1,851.58	\$1,851.58	\$1,289.60
Large	\$4,057.63	\$2,750.72	\$2,537.14

Disabled - Special Arrangement: Statewide Prevailing Cost / \$1,793.64

Public Transit: Same as prevailing regular education per pupil amounts shown above.

Bus Replacement: The bus replacement cost is calculated based on a formula of replacing 1/12th prevailing number of buses per 100 students at a replacement cost of \$41,147 per bus.

State and Local Shares: The state share of these costs are determined based on a locality's Composite Index of Local Ability to Pay. The local school district assumes all remaining cost.

Extent of Participation: All 137 local school divisions.

VII. SPECIAL EDUCATION

Funding in 1998–99: \$235.5 million.

Percentage of Total State Aid: 6.8%.

Description: There are two separate programs for special education. The first program, Special Education SOQ payments, provides assistance to local school division for the salary cost of required special education instructional positions. In 1998–99, the state share of this program was \$185.7 million. The second program, Special Education categorical payments, provides assistance for the following program areas: homebound instruction, private and regional program tuition costs, inservice, postsecondary transition planning services for students with disabilities, and educational programs located in hospitals and detention homes. In 1998–99, the state share of the special education categorical payments was \$49.8 million.

State Share: SOQ Payments: The number of required special education instructional positions are calculated for each school division utilizing a special education child count provided by the local school divisions and class size standards for each disability category established by the Board of Education. The state/local

share of the salary cost for the calculated number of required instructional positions is determined according to a locality's Composite Index of Local Ability-to-Pay.

State Share: Categorical Payments: The state share of the categorical accounts are as follows:

1) Homebound	based on the Composite Index
2) Tuition Costs	based on the Composite Index
3) Postsecondary Transition	100%
4) Inservice	100%

Local Share: The local school divisions assume the remaining cost of these programs.

Extent of Participation: All 137 local school divisions.

VIII. COMPENSATORY EDUCATION

Funding in 1998–99: \$64.7 million.

Percentage of Total State Aid: 1.5%.

Description: The Standards of Quality require local school divisions to provide remedial programs in grades K–12 to reduce the number of students who score in the bottom national quartile on the Virginia State Assessment Program standardized tests, for those who fail the state's 6th grade Literacy tests, and for those failing the state's Standards of standardized tests, for those who fail the state's 6th grade Literacy tests, and for those failing the state's Standards of Learning tests. The state distributes funds based on nine instructional positions per 1,000 students who scored in the bottom national quartile on standardized tests. Local school divisions also receive funds as an incentive payment for students who are determined to require remediation based on their performance on the Standards of Learning assessments. The state distributes these incentive funds based on the state share of the cost of providing an additional two and one half hours of instruction each week at a student to teacher ration of ten to one. In addition, local school divisions received funds based on the number of students participating in remedial summer school programs. In 1998–99, funds were distributed for the remedial summer school program based on the state share of a \$328 per-pupil amount.

State and Local Shares: The salary and benefits cost for nine instructional positions per 1,000 students scoring in the bottom national quartile on standardized tests is

shared between the state and local school divisions according to a locality's composite index. Also, the state/local share for Standards of Learning remediation determined based on a locality's composite index.

Extent of Participation: All 137 school divisions participate in the school year remedial programs; 128 local school divisions operated state-supported remedial summer school programs in 1998–99.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–99: \$21.3 million.

Percentage of Total State Aid: less than 1%.

Description: The Standards of Quality state that local school divisions are responsible for the early identification of gifted students and enrollment of such students in differentiated instructional programs. The state provides an additional payment for Gifted Education programs based on the cost of one instructional position per 1,000 students.

In addition, the state provides funds for the Governor's School programs. This program is listed in Section XII under Other Categorical Programs.

State and Local Shares: The cost of one instructional position per 1,000 students is shared between the state and local school divisions according to a locality's Composite Index of Local Ability-to-Pay. Local school divisions are responsible for all additional costs for their Gifted Education programs.

Extent of Participation: All 137 local school divisions.

X. BILINGUAL EDUCATION

Funding in 1998–99: \$3.2 million.

Percentage of Total State Aid: less than 1%.

Description: The state began providing aid to the local school divisions for English as a Second Language (ESL) programs in the 1990–91 school year. ESL enrollments have been steadily increasing. In 1985, 9,102 students with limited English proficiency were enrolled in ESL classes across the Commonwealth. By

1996, the number had grown to 23,128, an increase of 254%. These students now represent over 100 different languages.

State and Local Shares: The cost of nine instructional positions per 1,000 students for whom English is a second language is shared between the state and local school divisions according to a locality's Composite Index of Local Ability to Pay. The local school districts assume the remaining costs of these programs. The 1999 General Assembly provided funding to increase the ratio of positions to ESL students from nine per 1,000 to ten per 1,000, beginning in fiscal year 1999-2000.

Extent of Participation: 72 local school divisions.

XI. EARLY CHILDHOOD EDUCATION

See At-Risk-Four-Year-Old Program below.

XII. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1998–99: \$44.8 million.

Percentage of Total State Aid: 1.3%.

Description: There are two separate programs for vocational education. The first program, Vocational Education SOQ, provides assistance to local school divisions for the salary cost of required vocational education instructional positions calculated above the regular education standards. In 1998–99, the state share of this program was \$ 36.2 million. The second program, Vocational Education categorical funds, provides assistance for the following programs: 1) extended contracts, 2) equipment, and 3) adult education. In 1998–99, the state distributed \$8.5 million for these programs.

State and Local Shares: SOQ payments: The number of additional instructional positions are calculated for each school division based on student enrollment in vocational education courses and class size standards established by the Board of Education. The state/local share of the salary cost for the calculated number of required instructional positions is determined according to a locality's Composite Index of Local Ability-to-Pay.

Categorical payments: The state share of the categorical accounts are as follows:

1) Extended Contracts	31.3%
2) Adult Education	23.4%
3) Equipment	\$117.97 per pupil (1,000 minimum per division)

Extent of Participation: All 137 local school divisions.

At-Risk Funding

Funding in 1998–99: \$58.5 million.

Percentage of Total State Aid: 1.7%.

Description: State funds are provided to improve educational achievement of at-risk students and to recognize the increased cost of educating “at-risk” children. There are two separate at-risk programs. The first program for at-risk students provides funds to local school divisions based on the number and percentage of students participating in the free lunch program. Divisions with a greater concentration of students participating in the free lunch program receive a higher at-risk funding per pupil. Depending on the percentages of free lunch participants, school divisions receive between 2% and 12% in additional basic aid state funds per at-risk student. The second program provides grants to local school divisions for At-Risk Four-Year-Olds. Grants are distributed based on an allocation formula providing the state share of a \$5,400 grant for 60% of the unserved at-risk four-year-olds in each locality. The grants are used to provide preschool education, health services, social services, parental involvement and transportation.

State and Local Shares: The Composite Index is used to determine the state share of these two programs. Local school divisions are responsible for all additional costs for the at-risk programs.

Extent of Participation: All 137 local school divisions.

Maintenance Supplement

Funding in 1998–99: \$9.3 million.

Percentage of Total State Aid: less than 1%.

Description: The state share of \$15 per pupil is distributed to local school divisions to assist with the cost for ongoing maintenance needs or debt service payments.

State and Local Shares: The composite index is used to determine the state share of the \$15 per pupil. Local school divisions are responsible for all additional maintenance and debt service costs. The state does, however, permit localities to use School Construction Grant and Lottery monies for this purpose.

Extent of Participation: All 137 local school divisions.

Dropout Prevention Programs

Funding in 1998–99: \$12 million.

Percentage of Total State Aid: less than 1%.

Description: State funds (\$11 million) are distributed to local school divisions to implement dropout prevention programs. School divisions receive \$177 per pupil for the number of students in grades 6 through 10 judged to be at risk of dropping out of school. The number of students is determined based on the percentage of eighth grade students scoring in the bottom national quartile on the state standardized tests. Priority consideration is given to those localities with the most acute need for such programs (as reflected by each locality's dropout rate and the improvement in such rate).

In addition, \$1 million was allocated for the Virginia Guaranteed Assistance program. These state funds are provided to 11 pilot programs related to increasing the success of disadvantaged students in completing high school and providing opportunities to encourage further education and training.

State and Local Shares: State payments are derived by multiplying the estimated number of at-risk children by \$177 (\$199 for Northern Virginia school divisions to reflect higher cost of living). Local school divisions are required to provide an additional \$118 per at-risk student (\$132 in Northern Virginia school divisions) for these dropout prevention programs (60% state—40% local share).

Extent of Participation: 112 local school divisions.

Enrollment Loss

Funding in 1998–99: \$5.1 million.

Percentage of Total State Aid: less than 1%.

Description: An additional state payment equal to the state share per-pupil of Basic Aid for each locality for a percentage of the enrollment loss (as determined below) from the 1997–98 school year to the 1998–99 school year as follows.

<u>Composite Index</u>	<u>Percentage</u>
0.0000-0.1999	95%
0.2000-0.3499	80%
0.3500-0.4999	55%
0.5000 or more	40%

State and Local Shares: The percentage of enrollment loss upon which the state payment was made ranged from 95% for those localities with a composite index less than .1999 to 40% for those localities with a Composite Index over .50.

Extent of Participation: 67 local school divisions.

Teacher Salary Supplement Payment

Funding in 1998–99: \$23.6 million.

Percentage of Total State Aid: less than 1%.

Description: An additional state payment to provide the state share of a 2.25% increase in salaries effective January 1, 1999 for the instructional and support personnel funded by the Standards of Quality. State funds are paid from this account upon local certification that “sufficient local funds have been appropriated to match the Teacher Salary Incentive Payment, based on the composite index, in addition to meeting the division's required local expenditure for the Standards of Quality.”

State and Local Shares: The state share of the Teacher Salary Supplement payment is based on the locality's composite index.

Extent of Participation: All 137 local school divisions.

Textbook Payments

Funding in 1998–99: \$23.4 million.

Percentage of Total State Aid: less than 1%.

Description: An additional state payment to local school divisions for the state share of the prevailing cost for textbooks.

State and Local Shares: Funds are distributed based on the state share of \$37.71 per-pupil. The State and local shares of cost are based on the Composite Index. The state share of the per-pupil textbook cost is included in the division basic aid payment.

Extent of Participation: All 137 local school divisions.

School Food Payments

Funding in 1998–99: \$5.8 million.

Percentage of Total State Aid: less than 1%.

Description: State payment is made as a required match to federal revenues. Funds are allocated based on the actual number of meals served.

Extent of Participation: All 137 local school divisions.

Foster Children Payments

Funding in 1998–99: \$7.3 million.

Percentage of Total State Aid: less than 1%.

Description: An additional state payment for the prior year's local operations costs, as determined by the Department of Education, for each pupil, not a resident of the local school division providing their education, who has been placed by a Virginia agency, whether state or local, which is authorized under the laws of the Commonwealth to place children in: 1) foster care or other such custodial care within the geographical boundaries of the school division; or 2) an orphanage or children's home which exercised legal guardianship rights; or 3) a child-caring institution or group home.

Extent of Participation: Not reported.

Governor's School Programs

Funding in 1998–99: \$4.6 million.

Percentage of Total State Aid: less than 1%.

Description: Governor's Schools provide gifted students academic opportunities beyond those normally available in the students' home schools. There are three types of Governor's Schools: summer residential schools, summer regional schools, and academic year schools.

Extent of Participation: In 1998–99, approximately 5,000 students from across the state participated in the Governor's School program.

School/Community Health Services

Funding in 1998–99: \$1.5 million.

Percentage of Total State Aid: less than 1%.

Description: In 1992, the General Assembly directed the Departments of Education and Medical Assistance Services to establish a grant program to pilot school/community health services. The objective of these pilots are to increase access to early intervention health care of Medicaid and uninsured populations and to pilot various models of service delivery for school health services which could be replicated throughout the Commonwealth. In 1992–93, the state provided \$300,000 for planning grants for six projects. In 1998–99, the state provided \$1.2 million to implement the initial six projects and an additional \$300,000 for planning new projects.

Extent of Participation: 16 local school divisions.

Alternative Education Programs

Funding in 1998–99: \$4.5 million.

Percentage of Total State Aid: less than 1%.

Description: The 1993 General Assembly directed the Board of Education to establish and implement regional pilot projects to provide an educational alternative

for certain students. Each project involves two or more school divisions working in collaboration to establish options for students who have a pending violation of a school board policy, been expelled or long-term suspended, or been released from a juvenile correctional center. Funding for alternative education programs is based on the state's share of the incremental per pupil cost (above Basic Aid) for providing such programs.

State Share: The state/local share for these programs is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 29 local school divisions served students from 115 school divisions.

Adult Education Payments

Funding in 1998–99: \$1.0 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are distributed to local school divisions to reimburse general adult education programs. Priority is given for the following courses: 1) high school credit, 2) GED preparatory, and 3) English as a second language.

Extent of Participation: 87 local school divisions.

Reading Recovery

Funding in 1998–99: \$0.14 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are distributed to local school divisions to provide intensive individualized reading instruction to first-grade students identified as at-risk of reading failure.

Extent of Participation: 1 local school division.

Advancement Via Individual Determination (AVID)

Funding in 1998–99: \$0.6 million.

Percentage of Total State Aid: less than 1%.

Description: State funds were provided to establish AVID programs to prepare middle and high school at-risk students for college eligibility and success in college once they are enrolled. The local match for these programs is based on the locality's Composite Index of Local Ability to Pay.

Extent of Participation: 7 local school divisions.

XIII. TEACHER RETIREMENT

Retirement

Funding in 1998–99: \$113.8 million.

Percentage of Total State Aid: 3.3%.

Description: The state provides funds to local school divisions to assist in the cost of the teacher retirement program. The retirement cost, shared between the state and local school divisions, is calculated based on the number of instructional positions required by the Standards of Quality for each school division and a statewide prevailing salary amount. In 1998–99, the state distributed funds based on an 8.25% employer share retirement rate. These funds are paid directly to the division. Teachers pay 5% of salary towards retirement. Most divisions pay the 5% on behalf of the teachers.

State and Local Shares: The state share of the calculated retirement cost is determined according to a locality's Composite Index of Local Ability-to-Pay.

The local school divisions are responsible for all additional costs. Additional costs result from the retirement cost for those positions employed by the local school divisions in excess of the number of instructional positions required by the Standards of Quality and on the portion of local salaries higher than the funded SOQ salary allotments.

Extent of Participation: All 137 local school divisions.

Social Security

Funding in 1998–99: \$107.1 million.

Percentage of Total State Aid: 3.1%.

Description: The state provides funds to local school division to assist in the cost of social security payments. The methodology used to calculate the social security cost and the state and local share of the calculated cost is identical to the teacher retirement payment. In 1998–99, the state distributed funds based on a 7.65% employer-share social security rate.

Extent of Participation: All 137 local school divisions.

Additional Retirement

Funding in 1998–99: \$6.8 million.

Percentage of Total State Aid: less than 1%.

Description: The state has provided 100% of an additional retirement allowance equal to 3% of the service retirement allowance payable under V.A. CODE ANN. § 55.1–155 for any employee or local officer who is a member or beneficiary of a retirement system administered by the Board and retires between October 1, 1994 and December 31, 1998.

Extent of Participation: All 137 local school divisions.

Group Life Insurance

The state normally provides funds to local school division to assist in the cost for group life insurance payments. The methodology used to calculate the group life insurance cost and the state and local share of the calculated cost is identical to the teacher retirement payment. Payments were suspended in 1998–99, however, because the determination was made that the Group Life Trust Fund had been overfunded in previous years.

Extent of Participation: All 137 local school divisions.

XIV. TECHNOLOGY

Funding in 1998–99: \$1 million.

Percentage of Total State Aid: less than 1%.

Description: The Electronic Classroom Program (also known as the Virginia Satellite Educational Network) created a satellite delivery network offering high school and middle school students credit courses that are not widely available, particularly in small or rural schools. Advanced placement courses in English, Calculus, Statistics, U.S. History and Government are offered in addition to three years each of Latin and Japanese. A number of staff development programs supporting Virginia's Standards of Learning are also offered to teachers.

Extent of Participation: In 1998–99, over 1,800 students from 60 school divisions in Virginia and 30 states around the country enrolled in credit courses. Over 5,000 teachers in every locality participated in credit and non-credit staff development offerings.

XV. CAPITAL OUTLAY AND DEBT SERVICE

School Construction Grants

Funding in 1998–99: \$55 million.

Percentage of Total State Aid: 1.6%.

Description: State funds are provided to local school divisions for construction, additions, infrastructure, site acquisition renovations and debt service for school projects completed in the previous ten years. The grant allocation methodology first distributes \$200,000 to each school division. The balance of the \$55 million is then distributed proportionally on the basis of the composite index and Average Daily Membership of each local school division.

Extent of Participation: 137 local school divisions.

Debt Service and Loans

Localities are responsible for the construction of public school facilities. The local school divisions are responsible for controlling, erecting, furnishing, equipping, and

maintaining necessary school buildings and appurtenances. Pursuant to the Public Finance Act, Virginia's counties, cities and towns have the authority to issue general obligation debt to finance public school construction. Cities and towns may issue general obligation bonds without a referendum. The total debt outstanding, however, may not exceed 10% of the assessed value of real property in the city or town. Counties are not subject to any ceiling, but have to submit the proposed issue to referendum, for voter approval.

There are three methods by which localities can issue general obligation debt for public school construction purposes:

Local Borrowing. School divisions arrange the sale of debt independently in either the public or private markets.

Literary Fund Loan. The Literary Fund is a permanent and perpetual school fund established by the Constitution of Virginia in 1810 and administered by the DOE and is used by local school divisions as a source of low-interest loans for the purpose of "erecting, altering, or enlarging school buildings." The Board of Education has set the maximum loan amount available for a single project through the Literary Fund at \$7.5 million. The interest rate charged to local school divisions is determined from the school division's Composite Index of Local Ability-to-Pay and 2 ranges from 2% to 6%.

Virginia Public School Authority. The Virginia Public School Authority, administered by the Authority's Board of Commissioners, is a bond bank which provides low-cost financing of capital projects for public schools. The VPSA provides financing to localities through the sale of bonds. With the proceeds of its bonds, the VPSA purchases general obligation bonds from localities. The objectives of the VPSA loan program are to provide market access to those communities which do not have ready access and provide low-cost financing to communities needing assistance.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

The Board of Education began holding public hearings in May 1999 to receive public comment concerning the Board's intent to develop regulations to define consequences and rewards for public school accountability. The Board intends to amend its regulations for Standards of Accreditation which stipulate that public schools will be denied accreditation if student achievement expectations are not met for three consecutive years beginning with the 2003-04 school year. The regulations that the Board wishes to develop will address what assistance will be available to

schools that are unable to meet the accountability requirements under the SOA. In addition, the regulations will contain specific measures to provide schools with information and assistance to meet the goals stated in the accrediting standards.

XVII. REWARDS AND SANCTIONS

See “Standards and Accountability Measures” above.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

N/A.

XIX. AID TO PRIVATE SCHOOLS

N/A.

XX. RECENT/PENDING LEGISLATION

N/A.

XXI. SPECIAL TOPICS

Truancy

Funding in 1998–99: \$2.1 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are provided as an incentive payment for reducing truancy and supporting safe schools in elementary and middle schools. The state identifies school divisions with elementary and middle schools among the lowest 13.4% of schools for student attendance. Funds are distributed according to the following formula:

Number of Schools Identified per Division	Grant Amount
One School	\$20,000
Two to Three Schools	\$35,000
Four to Five Schools	\$50,000
Six or More Schools	\$17,500 per school

State and Local Shares: The state/local share of cost for this program is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 56 local school divisions participated out of 67 eligible.

School Health Incentive Grants

Funding in 1998–99: \$1.3 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are provided as incentive payments for the provision of physical health care services in public elementary and secondary schools. The payments are based on an additional .523 hours of nursing services per child eligible for the Federal Free Lunch program for each school division.

State and Local Shares: The state/local share of the cost for this truancy program is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 83 local school divisions.

Lottery

Description: The Lottery provided \$138.4 million (4% of total state school aid) for education. The Appropriation Act distributes 100% of lottery proceeds to public education. In 1998–99, the payments are based on the state share of an estimated \$198.80 per pupil. In addition, the state provided an additional \$14.9 million to local school divisions to ensure that the distribution of the 1998–99 local share of net lottery proceeds for each school division was not less than the distribution of net lottery profits the division would have received pursuant to the Governor's introduced budget.

State and Local Shares: The state share of the lottery distributions is determined by multiplying a division's per pupil amount by 1 minus the division's composite index and then multiplying the resulting division's share of the per pupil amount by their adjusted average daily membership.

Extent of Participation: 137 local school divisions.

K-3 Primary Class Size Reduction

Funding in 1998–99: \$75.2 million.

Percentage of Total State Aid: 2.2%.

Description: State funds are provided as an incentive for reducing class sizes in the primary grades (K-3). The incentive payments are based on the incremental cost of providing the lower class sizes (below the basic class size students for grades K-3).

State and Local Shares: The state/local share of the cost for the K-3 program is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 137 local school divisions.

Early Reading Intervention

Funding in 1998–99: \$6.1 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are provided to localities as an incentive for providing early intervention services to primary grade students who demonstrate deficiencies based on their individual performance on kindergarten or first-grade diagnostic tests. State funds are based on the state's share of the cost of providing two and one-half hours of additional instruction each week at a student to teacher ratio of five to one.

Extent of Participation: 126 local school divisions.

SOL Teacher Training -\$7.50 per pupil/ Materials - \$20 per pupil

Funding in 1998–99: \$20.7 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are provided at \$7.50 per pupil for the implementation and evaluation of comprehensive teacher training programs (\$8.3 million) at the local level in the four core academic areas of the Standards of Learning and leadership training for principals and superintendents implementing the SOL tests. In addition, \$12.4 million of state funds are provided to purchase textbooks and/or instructional materials related to the Standards of Learning. The allocation of funds for materials

are based on the state share of \$20 per student in adjusted average daily membership.

State and Local Shares: The state/local share of the cost for SOL Instructional Materials is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 137 local school divisions.

Additional Teachers

Funding in 1998–99: \$9.0 million.

Percentage of Total State Aid: less than 1%.

Description: State funds provide the state share of adding approximately 450 elementary teachers. The proportional allocation of the 450 elementary teachers to divisions is based on the same proportion of total SOQ funded elementary positions per division to statewide total SOQ funded elementary positions.

State and Local Shares: The state/local share of the cost for this truancy program is determined according to a locality's composite index of local ability to pay.

Extent of Participation: 137 local school divisions.

Composite Index Transition

Funding in 1998–99: \$1.6 million.

Percentage of Total State Aid: less than 1%.

Description: State funds are provided for a one-time transitional payment to school divisions experiencing a negative state funding impact due to the recalculation of the components of the composite index of local ability-to-pay.

Extent of Participation: 86 local school divisions.