



# Public Education Trends and 2025 Session Outlook

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November 22, 2024

# Outline

- 1 K-12 Enrollments and Funding Refresher
- 2 Joint Legislative Audit and Review Commission (JLARC) Study and Recent Funding Updates
- 3 Ongoing and Emerging Issues
- 4 Key Takeaways and 2025 Session Outlook

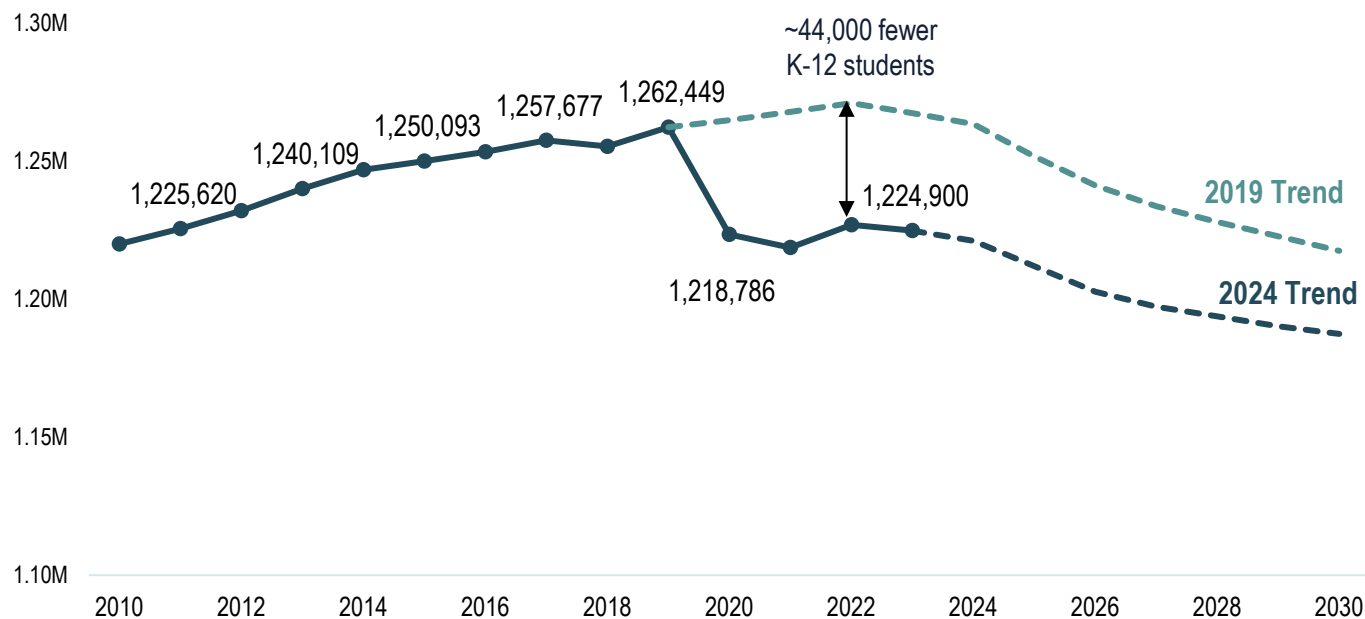
# K-12 Enrollments and Funding Refresher

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# Virginia Public Schools Enroll Over 1.2 Million Students, but Projected Enrollment Trends Show Decline Through Fall 2030

**K-12 enrollment drives underlying calculations of funding. Enrollments are projected to decline by 2.9% through Fall 2030.**



- Some students who left public schools during the pandemic may continue to return, which can impact projected enrollments.
- 2024 Fall membership data is not available, but initial average daily membership (ADM) projections indicate that enrollment may be higher than projected (~2,100 students in FY 2025 and ~3,900 students in FY 2026).

Sources: VDOE Superintendent's Annual Reports Fall Membership data, UVA Weldon Cooper K-12 Enrollment Projections. Data accessed October 2024.

# Ten Divisions Enroll Half of K-12 Students

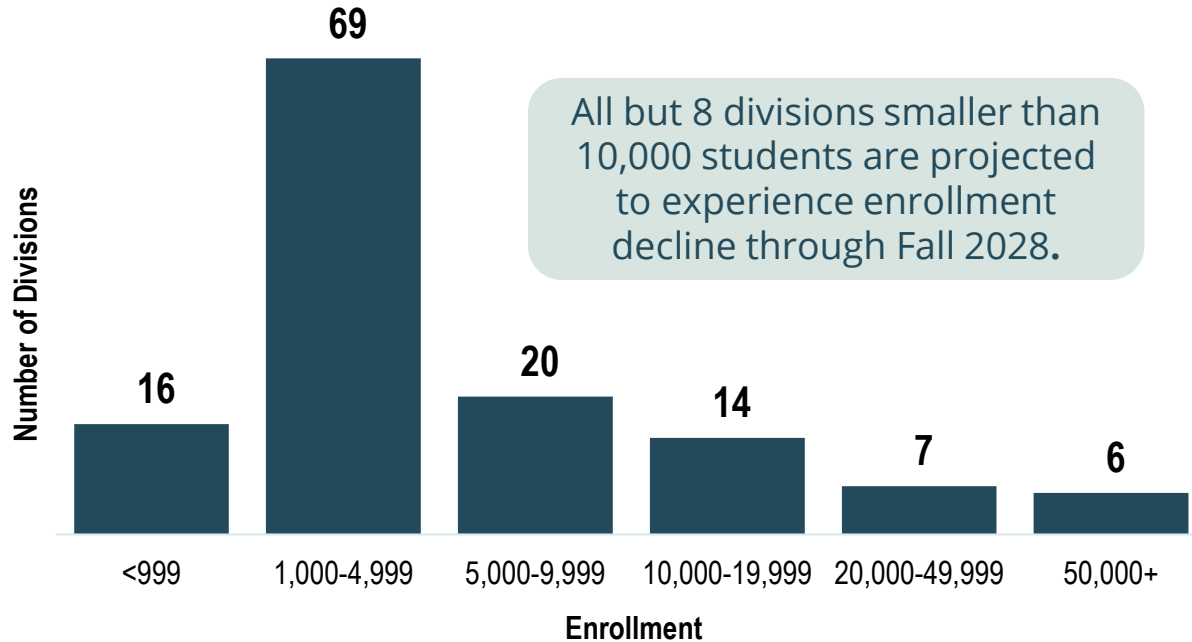
In Fall 2023, 10 school divisions enrolled 52.0% of Virginia's K-12 students.

122 School Divisions 601,825	Fairfax County 180,970	Loudoun County 82,082	Virginia Beach City 65,078	
		Chesterfield County 64,183	Chesapeake City 40,640	Stafford County 31,700
	Prince William County 90,654	Henrico County 50,464	Arlington County 27,536	Norfolk City 26,884

Source: VDOE, Fall Membership Reports. Data accessed November 11, 2024.

# 79.5% of School Divisions Enrolled Less Than 10,000 Students in Fall 2023

Enrollment drives funding and varies widely across Virginia's school divisions.



- The Standards of Quality (SOQ) establish minimum staffing and other benchmarks for education costs.
- Enrollment declines result in lower calculated required local and state support to meet the SOQ.
- Divisions will need to plan accordingly based on enrollment changes.
- Only 28.2% of Virginia's school divisions are projected to experience enrollment growth through Fall 2028.
- Small school divisions may be impacted more by enrollment decline due to economies of scale. A recent JLARC report explored the impact of division size on funding.

Source: VDOE Superintendent's Annual Report, UVA Weldon Cooper K-12 Enrollment Projections. Data accessed October 2024.

# SOQ Funding is Primarily Determined by Staffing Ratios and Enrollment

## 1. STAFFING

How many positions are needed to meet quantified minimum standards?

$$\frac{\text{Staffing Ratios} \times \text{Student Enrollment}}{\text{Number of Staff Needed}}$$

## 2. COSTS

What is the cost of meeting the staffing requirements and associated costs?

$$\begin{aligned} \# \text{ of Staff Needed} \times \text{Compensation Costs} &= \text{Personnel Costs} \\ \text{Student enrollment} \times \text{Other assumptions} &= \text{Non-Personnel Costs} \end{aligned}$$

$$\begin{aligned} &\text{Personnel Costs} \\ &+ \text{Non-Personnel Costs} \\ \hline &\text{Total SOQ Funding Obligation} \end{aligned}$$

## 3. SHARE

How are costs shared between the state and localities?

$$\frac{\text{SOQ Funding Obligation} \times \text{Local Composite Index}}{\text{State \& Local SOQ Funding}}$$

Note: Based on 2023 JLARC Report, "Virginia's K-12 Funding Formula."

# SOQ Costs are Driven by Minimum Staffing Standards and Other Prevailing Costs

- Staffing is based on minimum staffing standards outlined in the Code of Virginia and in the budget.
  - It includes requirements for general instruction and school leadership positions and instructional support.
- Once staffing amounts are determined, they are applied to the funded salary costs.
- Other costs are added based on prevailing costs and enrollment.
- Formula includes complex calculations. A recent JLARC report that reviewed the funding formula included options to streamline the calculations.

## Sample Staffing Standards

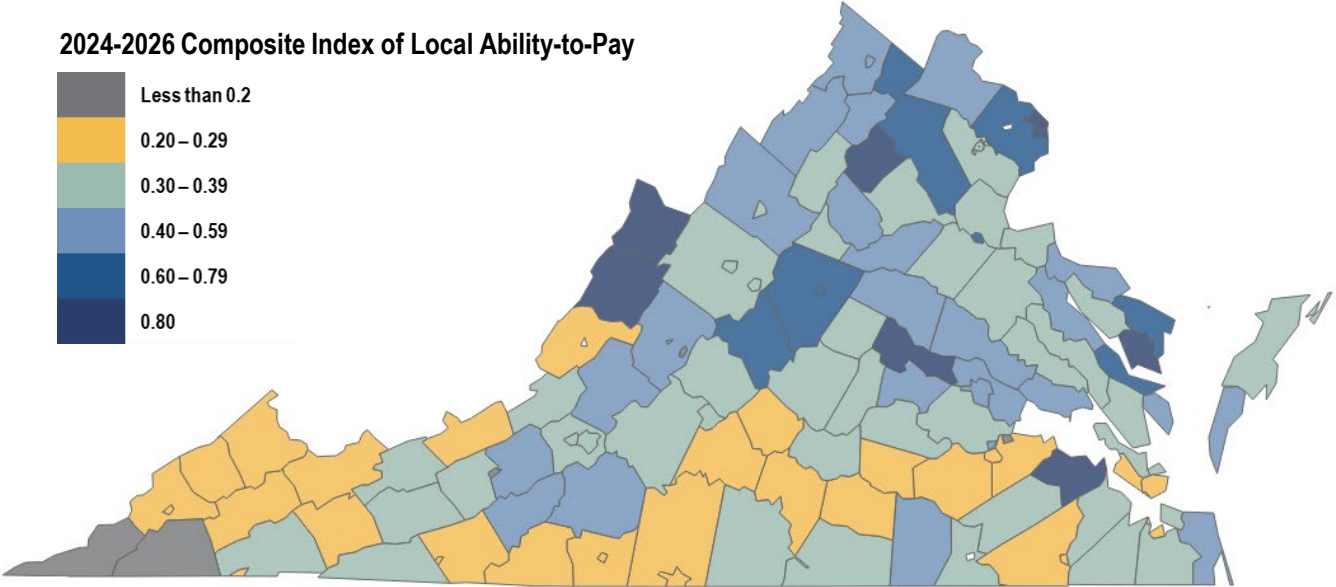
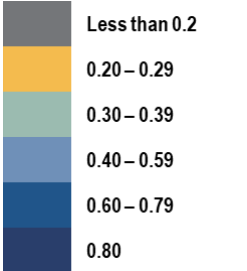
Category	Position	Staffing Ratio
<b>General Instruction</b>	Classroom Teacher	1 per 24 students K-3
		1 per 25 students 4 <sup>th</sup> grade
		1 per 21 students 5 <sup>th</sup> -7 <sup>th</sup> grade 1 per 21 students 8 <sup>th</sup> -12 <sup>th</sup> grade
	Elementary art, physical education, or music teacher	1 per 200 elementary students
	Vocational teacher	Prevailing ratio per 1,000 students enrolled in vocational education w/ some adjustments
<b>School Leadership</b>	Principal	1 per school



# On Average, the State Funds 55.0% of Calculated SOQ Costs, but the Share of Costs Varies by Locality

The Local Composite Index (LCI) identifies the share a locality must pay based on property values, adjusted gross income, and taxable retail sales. The remaining amount is provided by the state. The state commits to paying an average of 55.0% of costs.

2024-2026 Composite Index of Local Ability-to-Pay



Example: If a division's LCI is 0.40, then it is responsible for 40.0% of SOQ calculated costs and the state is responsible for the remaining 60.0%.

- LCI ranges from 0.17 to 0.80.
- The LCI is capped at 0.80, meaning that no division pays more than 80.0% of calculated SOQ costs.

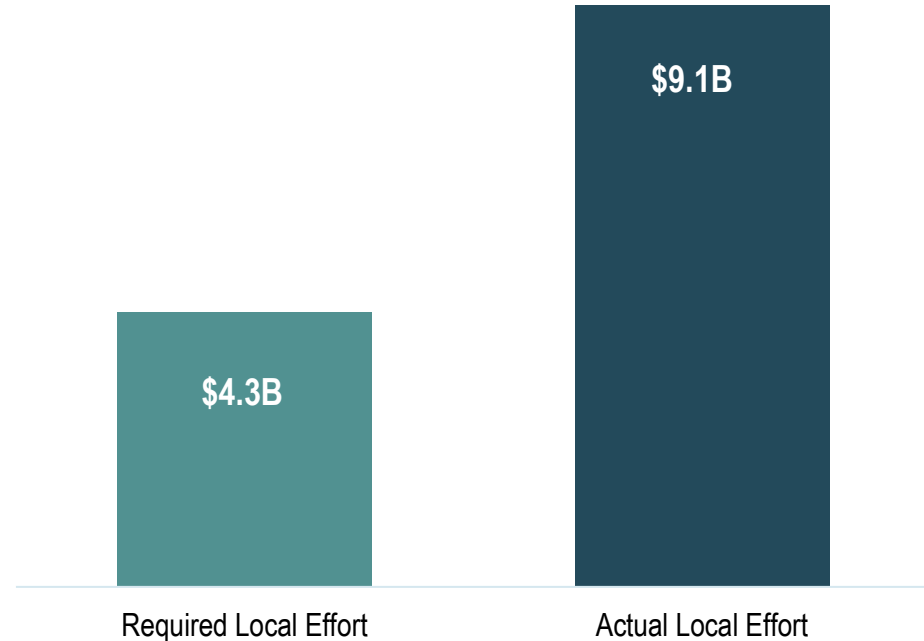
Source: VDOE, 2024-2026 Composite Index of Local Ability-to-Pay.

# Formula Determines Required Local Effort, but Divisions Often Exceed the Required Amount

In FY 2023, nearly all reporting school divisions exceeded the required local effort.

- The state share of formula-funded costs may be lower than what divisions actually spend.
- Divisions may choose to hire and compensate staff beyond the minimum standards.
- Average local expenditures were 79.0% higher than the required level, and 37 divisions reported local spending by over 100.0% of the required level.

**In FY 2023, local effort totaled \$9.1 billion and exceeded the SOQ's required local effort by \$4.8 billion.**



Source: VDOE, FY 2023 Required Local Effort and Required Local Match Report.

Note: Excludes six school divisions that did not report.

# While the Majority of Data Inputs are Updated During Biennial Rebenchmarking, Some Require Annual Technical Updates

## Updated for the Biennium

- Prevailing Non-Personnel Costs & Support Positions
- Salaries Update (2 Steps: “Prevailing” & “Funded”)
- Special Education Child Counts
- Fall Membership & Average Daily Membership (ADM) Projections used in SOQ Model
- CTE Course Enrollment
- Composite Index
- Head Start Enrollment (for VPI)
- Free Lunch Percentages
- SOL Test Scores
- Support Positions Cap & Federal Revenue Deduction
- Inflation Factors

## Updated Annually

These inputs will be updated in the introduced budget for the 2025 Session.

- Enrollment Projections – Fall Membership, ADM, English as Second Language, Remedial Summer School
- Reimbursement Account Projections
- Sales Tax (1.125%) and Lottery Revenue Estimates
- VRS Fringe Benefit Rates (subject to General Assembly Action)
- Supplemental General Fund Payment in Lieu of Sales Tax on Food and Personal Hygiene Products

# JLARC Study and Recent Funding Updates

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# Recent JLARC Report Found K-12 Funding Below the National Average and Recommended Changes

- In 2023, JLARC reviewed Virginia's K-12 Funding Formula, and identified several recommendations and options to further align the formula and meet funding needs.
- The report included near-term and long-term recommendations and policy options.
  - Near-term: Could be phased in over 3-4 years.
  - Long-term: Could be phased in over 7-10 years.
- The Joint Subcommittee on Elementary and Secondary Education Funding was created through Chapter 1, 2023 Special Session I, to review the report's recommendations and develop an implementation plan.

# Reminder: JLARC Near-Term Recommendations

<b>JLARC Recommendations: Near-Term (\$ in millions) in FY 2023 Dollars</b>	<b>State Impact (FY 2023)</b>
Discontinue Great Recession-era cost reduction measures (includes removal of support position cap, changes to non-personnel costs and the federal deduction calculation)	\$515.0*
Replace outdated and inaccurate free lunch measure and consolidate two largest at-risk programs into new SOQ At-Risk Program	250.0*
Calculate prevailing costs using division average, rather than LWA	190.0
Address technical issues with the formula	45.0
Change Local Composite Index to three-year average	(1.5)
Convert non-SOQ At-Risk Add-On funding to SOQ-required funding	--
Direct further study of special education staffing needs	--
<b>Estimated Near-Term Costs</b>	<b>\$998.5</b>

\*Recent budget actions have partially addressed these recommendations.

# Reminder: JLARC Long-Term Recommendations

JLARC Recommendations: Long-Term (\$ in millions) in FY 2023 Dollars	State Impact (FY 2023)	
Develop & adopt new staffing ratios based on actual staffing	\$1,860.0*	<b>Estimated Long-Term Cost = \$2.5B</b>
Update out-of-date salary assumptions during re-benchmarking	TBD**	
Replace cost of competing adjustment with newer, more accurate method	595.0	<b>Near- and Long-Term Cost = \$3.5B</b>
Adopt economies of scale adjustment to assist small school divisions	90.0	

Source: JLARC staff analysis and estimates using in-house JLARC SOQ model developed to approximate fiscal impact.

Note: The financial impact of the changes shown here reflect what the impact on the *state* budget would have been in FY 2023, after accounting for all funding appropriated that year. Division-level and local funding impacts can be found on the JLARC website.

\*Recent budget actions have partially addressed this recommendation.

\*\*Cost impact is dependent upon rate of inflation during year in which implemented.

# Since the Report, Recurring Funding Has Increased and Joint Subcommittee Recommendations Focused on Continued Action

## Recent Funding Actions

- Recurring funding has increased from FY 2023 to FY 2026.
- Many of the new ongoing investments have been related to JLARC recommendations, including:
  - 13.5% in teacher salary increases over multiple years;
  - Raising the support cap staffing ratio;
  - Additional funding for special populations (at-risk and English language learners); and
  - Expansion of reading specialist positions in grades 4-8.

## Next Steps

- Joint Subcommittee on Elementary and Secondary Education Funding met in 2024 to review JLARC recommendations.
- The Subcommittee issued a report on Nov. 1<sup>st</sup> and recommended actions for the 2025 Session:
  - Prioritizing remaining near-term JLARC recommendations;
  - Exploring options to support special education; and
  - Addressing data and infrastructure needs to support the Joint Subcommittee.
- Next meeting: December 9<sup>th</sup>, 1:00 p.m., to further refine 2025 Session priorities and discuss long-term actions for the 2025 Interim.



# Since the 2023 JLARC Report, Direct Aid Investments Have Grown Significantly

Direct Aid to Public Education (GF \$ in million)	FY 2024	FY 2025	FY 2026
<b>Total, Direct Aid, Less One-Time Funds*</b>	<b>\$8,312.7</b>	<b>\$9,646.0</b>	<b>\$9,822.7</b>
Increase from Prior Year (FY 2023 budget less one-time funds: \$8,050.1)	262.6	1,333.4	176.7
% Increase from Prior Year (without one-time funding)	3.2%	13.8%	1.8%
<b>Total % Increase, FY 2024 – FY 2026</b>			<b>18.0%</b>
<b>Total Increase in Direct Aid, FY 2024 – FY 2026</b>			<b>\$1,772.7</b>

\*This table does not include one-time funding, such as school construction grants (provided \$400.0 million GF in FY 2023) or flexible per-pupil funding (provided \$418.3 million GF in FY 2024).

# Recent Select K-12 Funding Actions Supporting JLARC Recommendations Since FY 2023

New Investment (GF \$ in millions)	FY 2024	FY 2025	FY 2026	Total
<b>Teacher Salary Increases:</b> 5% FY 2024 +2% Jan. 2024, 3% FY 2025, 3% FY 2026	\$335.4	\$179.5	\$367.1	\$882.1
<b>At-Risk/Prevention, Intervention, and Remediation (PIR):</b> Increase from 24% to 36% beginning in FY 2023, adjusted methodology for At-Risk Add-On calculation in addition to increased investment beginning in FY 2025	74.2	186.7	184.6	445.5
<b>Support Positions:</b> 24 per 1,000 in FY 2024 and ongoing (estimated prevailing ratio is 27.9 per 1,000)	205.2			205.2
<b>Reading Specialists - Virginia Literacy Act (VLA):</b> K-3 specialists beginning in FY 2023, 3-8 specialists beginning in FY 2025	31.7	30.5	30.7	92.9
<b>English Language Learners:</b> Implements staffing standards based on student proficiency		37.9	34.2	72.1
<b>Total</b>	<b>\$646.5</b>	<b>\$434.6</b>	<b>\$616.6</b>	<b>\$1,697.8</b>

Note: FY 2024 also included \$418.3 million for one-time flexible per pupil funding to address learning loss, the implementation of the VLA, and operational support. Some totals may not add due to rounding.

# Ongoing and Emerging Issues

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# Teacher Shortages Remain a Concern

## Issue

- Interest in becoming a teacher and remaining in the profession is impacted by several factors, including classroom environment, compensation, and support outside of the classroom.
- A 2023 JLARC K-12 Teacher Pipeline report found that statewide teacher vacancies had increased since the pandemic and reliance on provisionally licensed teachers increased.
  - For 2024-2025, an estimated 3.4% of teaching positions were vacant compared to 1.0% prior to the pandemic with larger gaps in certain school divisions and in areas such as special education.
- Vacancies may be filled by improving recruitment and retention of teachers.

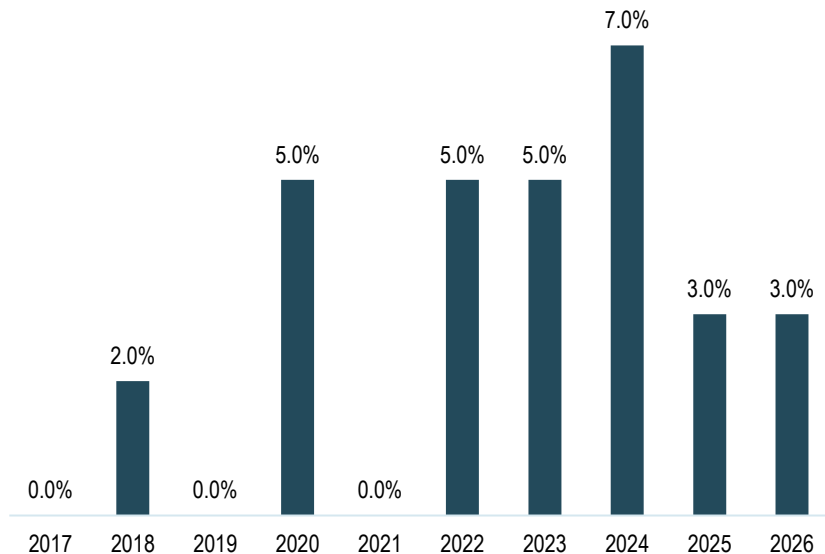
## Strategies

- The JLARC report included several recommendations to address recruitment and retention of teachers, including:
  - Supporting teachers in and outside of the classroom through instructional aides and student behavior and mental health supports;
  - Improving pathways to teacher licensure; and
  - Providing competitive teacher compensation.
- Several recommendations have been implemented, such as:
  - Funding teacher preparation, residency, and apprenticeship programs; salary increases; and increases in support staff.
  - Changing the Virginia Communication and Literacy Assessment requirement for teacher licensure.

# Recent Compensation Investments Have Supported Salary Goals

Ensuring salaries are competitive can help support goals related to recruitment and retention of teachers.

Virginia has authorized salary increases in each year since FY 2022.

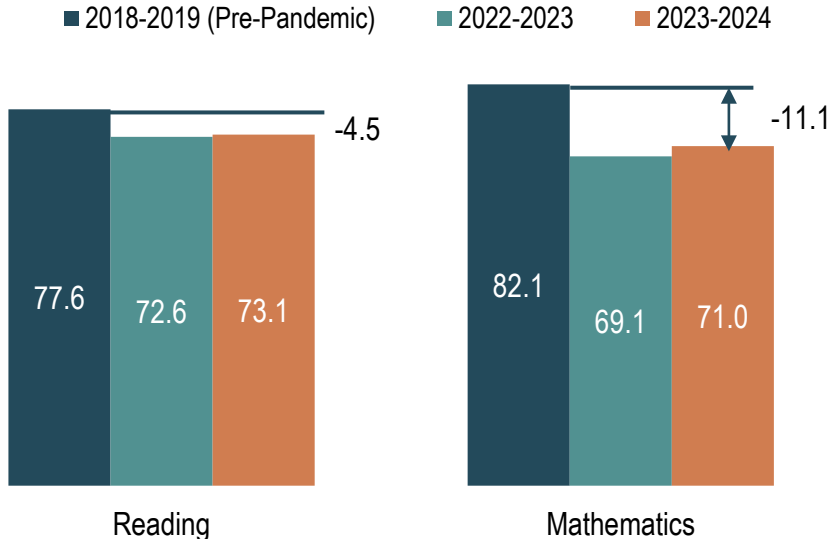


- The Code of Virginia includes a goal to compensate teachers at a competitive rate that is defined as “at or above the national average.”
  - Virginia’s teaching salaries in 2022-2023 remained below the national average, but starting salaries were above average.
- The average school division teacher salary in Virginia was \$68,309 in 2022-2023, but salaries vary widely by division.
  - The lowest salary average was \$41,950 and the highest was \$93,141.
- Salaries are one method to compare compensation.
  - The Southern Regional Education Board ranked Virginia among the highest in the southern states when considering net pay and health and retirement benefits.

# Gaps in Learning Remain a Concern

Investments in K-12 are intended to support students and align with learning outcomes. The COVID pandemic impacted learning and children and schools are still recovering.

## Average Standards of Learning (SOL) Passing Rate Test Scores

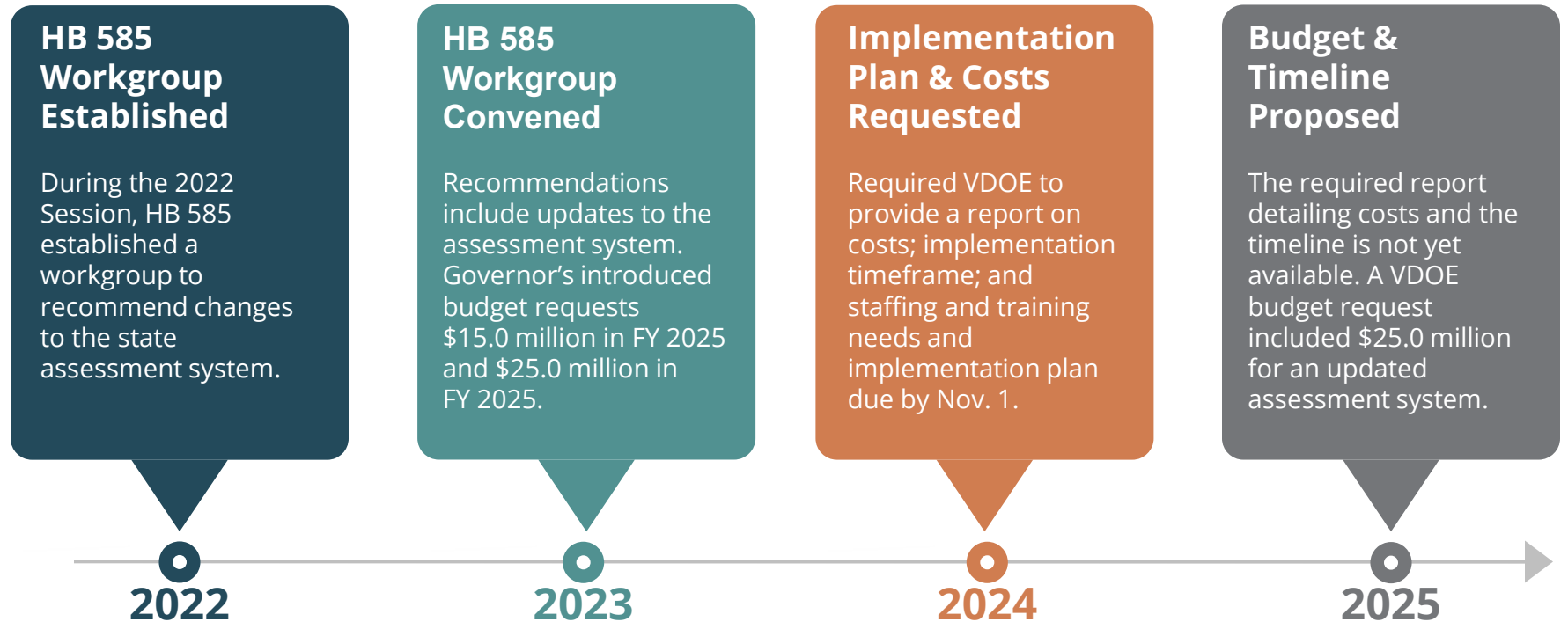


Source: VDOE SOL Test Results. Data accessed November 2024.

- In 2023-2024, 13 school divisions had average reading test scores and two divisions had average math scores above their pre-pandemic average.
- Changes in SOL test scores impact school performance and recent Board of Education changes to the performance system may require additional student and school support.
  - School divisions received \$418.3 million in FY 2024. Divisions carried over an estimated \$322.4 million to use in for FY 2025 and FY 2026.
  - The Governor recently announced at least \$50.0 million to expand support available to schools most in need.
  - With recent investments to support improvements in reading, future initiatives should consider a focus on math in addition to other subject areas and student groups with larger gaps in learning.

# Issue: Enhancements to the State Assessment System May Require Additional Funding

Interest in modernizing the state assessment system began in 2022. In 2024, the workgroup recommended changes, included updates to assessment items (questions), reporting to teachers and families, and design related to measuring growth and proficiency.



# 2024 Session Made Significant Investments in Early Childhood Education

Early Childhood Education is made up of three programs: the Virginia Preschool Initiative, the Child Care Subsidy Program (CCSP), and Mixed Delivery.

- The 2024-2026 biennium invests an additional \$350.1 million GF in early childhood education.
  - Investments focus on maintaining access to slots funded through COVID relief funds, adding 2,440 CCSP slots in FY 2026, and continuing to support quality in childhood care and education.
  - Language realigns copayments and work requirements across programs and establishes a waitlist requirement.
- New waitlists reveal unmet demand, but differences in regional availability of slots and family preferences indicate that additional funding for slots may reduce, but not fully eliminate, the waitlist.
- The Early Childhood Care and Education Commission is considering updates to the current copayment schedule, parental work requirements, and attendance expectations for CCSP and Mixed Delivery and how to leverage existing general funds by December 1<sup>st</sup>.



# Key Takeaways and 2025 Session Outlook

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# Annual Technical Updates Based on SOQ Costs for 2025 Session – Initial Estimates

SOQ Annual Updates (GF \$ in millions)	FY 2025	FY 2026	Biennium
School Age Population Estimates for Sales Tax Distribution	\$0.0	(\$1.6)	(\$1.6)
Lottery Proceeds Projections	TBD	TBD	TBD
K-12 Sales Tax Distribution (preliminary before official introduced forecast)	19.3	18.0	37.3
Average Daily Membership Projections	<u>13.3</u>	<u>20.5</u>	<u>33.8</u>
<b>Total SOQ General Fund Costs To Date</b>	<b>\$32.6</b>	<b>\$36.9</b>	<b>\$69.5</b>

Source: Department of Planning and Budget, Annual Report to the General Assembly on the Updates to the Standards of Quality, November 1, 2024.

# Key Takeaways and 2025 Session Outlook

- In recent sessions, the General Assembly has made significant investments in K-12 education focused on targeted needs to support students and school divisions and align with recent JLARC recommendations.
- The Joint Subcommittee on Elementary and Secondary Education Funding recommended near-term strategies for the 2025 Session and plans to continue to review long-term recommendations in the 2025 Interim.
- The Governor's introduced budget will include remaining updates to enrollment, sales tax, and lottery projections.
- Other issues that could impact funding include requests to support gaps in learning, addressing the teacher pipeline, early childhood, school construction, and an updated state assessment system.

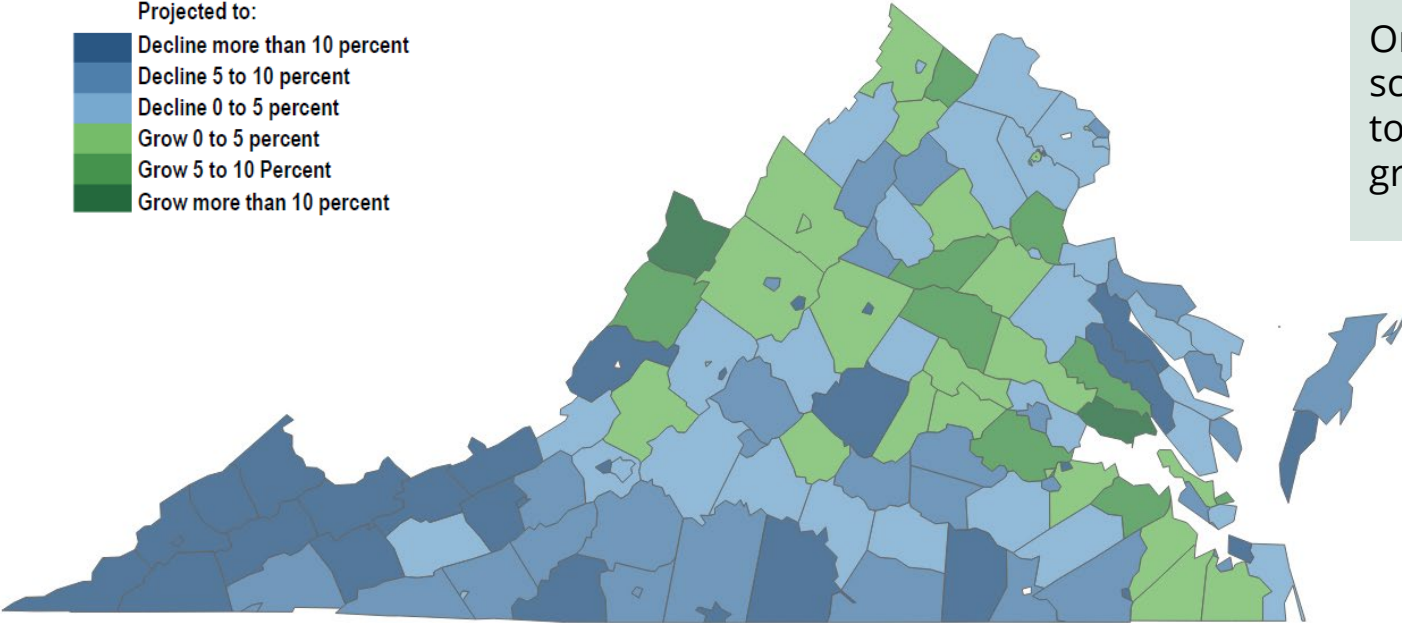
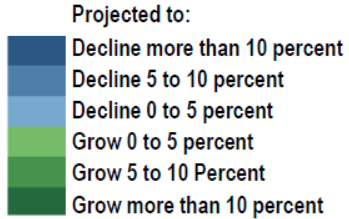
# Appendix

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# Projected Enrollment Changes Vary by School Division

**When compared to Fall 2023 enrollment data, most Virginia school divisions are projected to experience declines by Fall 2028.**



Only 37 of Virginia's 131 school divisions are expected to experience enrollment growth through Fall 2028.

Source: VDOE Fall Membership Reports, UVA Weldon Cooper K-12 Enrollment Projections. Data accessed October 17, 2024.

# School Construction Loans and Grants Have Increased Since FY 2023

(\$ in millions)	2022-2024 Biennium	2024-2026 Biennium
<b>Loans: Literary Fund</b>		
<ul style="list-style-type: none"> <li>Provides low-interest rate loans based on local composite index.</li> <li>Funds revolve back to the Literary Fund.</li> </ul>	\$400.0	\$250.0
<b>Competitive Grants: School Construction Assistance Program</b>		
<ul style="list-style-type: none"> <li>Up-front grant to lower overall project cost.</li> <li>Prioritizes divisions with poor building conditions and higher fiscal need.</li> <li>*Beginning in FY 2025, funds are provided through the Gaming Proceeds Fund. Amount for the biennium is based on estimated revenues.</li> </ul>	450.0	160.0*
<b>Formula Grants: School Construction Grants Program</b>		
<ul style="list-style-type: none"> <li>Formula allocation to each school division (paid in FY 2023).</li> <li>Flexible uses including debt service.</li> </ul>	400.0	-
<b>Total</b>	<b>\$1,250.0</b>	<b>\$410.0</b>

Notes: Chapter 752 of the Acts of Assembly of 2023, required the Board of Education to make recommendations for amendments to the SOQ for maintenance and operations, renovation, and new construction. Chapter 389 of the Acts of Assembly of 2024, permitted localities operating joint or regional initiatives to include buildings used for career and technical programs. Additional bills were proposed in the 2024 Session that would have allowed a locality to impose an optional sales tax to support school construction and renovation but were continued or did not pass.

# What is Virginia's Average Teacher Salary? Depends on the Methodology Used to Calculate the Average

Methodology	VDOE Linear Weighted Prevailing Salary	VDOE Simple Statewide Average Salary	National Education Association (NEA) Average Teacher Salary
<b>Calculation's Use</b>	SOQ Funding Model	Annual school salary survey required in the Appropriation Act.	Comparison across states found in JLARC's "Virginia Compared to the Other States" and VDOE annual school salary survey.
<b>Considerations</b>	Divisions' elementary and secondary teacher salary averages are linearly weighted to determine the prevailing average salary used for funding in the Appropriation Act.	Includes salaries of counselors, librarians, and instructional technology.	Excludes salaries of counselors, librarians, and instructional technology, but includes homebound and substitute teachers.
<b>Average Salary Amount FY 2023</b>	\$58,540*	\$68,309	\$63,103

Sources: VDOE, 2022-2023 Teacher Salary Survey Results, Appropriation Act, & National Education Association (NEA).

\* Estimated single blended prevailing average salary is calculated from weighting the 2022-2024 Appropriation Act's teacher salary amounts (including the 5% salary increase) of \$57,157 for elementary teachers and \$60,312 for secondary teachers into one amount by the percentages of elementary and secondary students of the total (the weighted percentage is estimated about 56% / 44% respectively).