

SUMMARY OF JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION (JLARC) REPORT

By direction of the 2000 Virginia General Assembly, the Joint Legislative Audit and Review Commission (JLARC) conducted a 16-month study on the State funding of the *Virginia Standards of Quality* (SOQ). Data for this study was collected from a variety of sources, including the Virginia Department of Education and all local school divisions in the state.

The *Virginia Standards of Quality* (SOQ) are part of *The Code of Virginia*. They establish the minimum standards to be met by all school divisions in the Commonwealth for K-12 education. State funding to school divisions is based on the SOQ. School divisions receive state funding to meet SOQ requirements, adjusted for the locality's ability to pay based on a measure called the Composite Index. As a rule, school divisions exceed the requirements of the SOQ. For example, the SOQ standard for class size in third grade is 24 with no class larger than 30. The actual statewide average class size in third grade is 20. When school divisions exceed the SOQ, all necessary funding is provided by the locality.

Since JLARC last analyzed funding of the SOQ in the mid 1980s, a number of concerns have surfaced. Major issues include the methodology used by the State to estimate SOQ costs, the degree to which school divisions exceed the SOQ without state support, and the long-term viability of the Composite Index as a measure of a locality's ability to pay.

Recommendations from the study are divided into three tiers. The first tier addresses the actual costs of funding the SOQ requirements, the second tier addresses the funding of prevailing school division practices that exceed the SOQ and are not supported by state funding, and the third tier addresses the funding of construction debt service and teacher salaries. Additionally, the report provides a framework for determining future state and local funding responsibilities for education.

A summary of the report's major findings are as follows:

Tier 1:

- The methodology used to determine the costs of the SOQ is inadequate in terms of calculating the actual costs of the standards. If the methodology is appropriately adjusted to reflect actual costs, it would require \$1.06 billion more in state funding over the 2002-04 biennium.

Tier 2:

- SOQ funding does not reflect prevailing practice in areas including class size, provision for planning periods, funding for resource teachers in areas such as elementary art, music, and physical education, preschool programs, principals, and assistant principals. To address these areas would cost approximately \$500 million more in state funding during the 2002-04 biennium.

Tier 3:

- State support of local debt service for facility construction and renovation is relatively limited. To provide up to a 50% state share of these costs would require up to \$291 million more in state funding during the 2002-04 biennium.
- Virginia teacher salaries have continued to lag behind the national average. To address this are would require up to \$394 million more in state funding during the 2002-04 biennium. The Governor and the General Assembly may also want to appoint a task force to examine the issue of a long-term teacher salary goal for the Commonwealth.

In addition to the findings, the report also noted that the Composite Index remains a viable means to adjust state funding based on a locality's ability to pay. However, the report also identified some possible areas for adjusting the formula, including population density, the relative weights given to local tax bases, and the combined use of the median and average Adjusted Gross Income for localities with skewed income distributions.

The JLARC report will now be considered by the Governor and the General Assembly for possible future legislative action.