

of its local taxes coming from real estate taxes would qualify. The state share of Basic Aid for an eligible division is adjusted based on the lower composite index of a contiguous school division involved in the cost-savings agreement.

Summary of Major Elements

Attachment A shows the amended section of the *Code of Virginia* as adopted by the 2008 General Assembly.

Attachment B is the revised eligibility criteria consistent with the *Code* that are recommended for approval by the Board of Education. Revised language is shown in italics and deleted language is shown with strikethroughs. In addition to the revised criteria, Attachment B provides the current procedures for application of the criteria to requests from eligible school divisions.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends that the Board of Education waive first review and adopt the revised criteria as presented in Attachment B. In addition, the Superintendent requests that the Board authorize the Department of Education to make subsequent technical revisions to the criteria in order to keep them aligned with any future changes made by the General Assembly.

Impact on Resources:

Currently, only one school division (Highland County Public Schools) meets the eligibility criteria to receive supplemental Basic Aid funding in FY 2010. Additional school divisions may qualify beginning in FY 2011; however, those divisions will not be known until the Governor introduces the 2010-2012 biennial budget.

Timetable for Further Review/Action:

The Governor must approve the adjustment to the state share of Basic Aid for eligible divisions prior to the disbursement of state funds. The Department of Education must annually report to the Chairmen of the House Appropriations and the Senate Finance committees the cost savings arrangements made, and the adjusted state shares of Basic Aid approved by the Governor. No further action is required of the Board.

Code of Virginia

§ 22.1-98.2. Certain agreements; adjustment of state share for basic aid.

A. Any school board of a school division in which fewer than 1,100 students were included in average daily membership for the preceding school year, in a locality that has a local composite index of .6000 or greater, and has 65 percent or more of its local taxes coming from real estate taxes, as calculated by the Auditor of Public Accounts and reported annually to the Department of Education, upon entering into certain cost-savings agreements with a contiguous school division for the consolidation or sharing of educational, administrative, or support services, shall receive the state share for basic aid computed on the basis of the composite index of local ability-to-pay of the contiguous school division, calculated annually, for a period of 15 years.

The Board of Education shall develop eligibility criteria for such cost-savings and service-sharing agreements and for the adjustment of the state share for basic aid, consistent with the appropriation act.

The Governor shall approve the adjustment to the state share prior to the disbursement of funds. The Department of Education shall annually report to the Chairmen of the House Appropriations and Senate Finance Committees the cost-savings agreements made and the adjusted state shares so approved.

B. The local school board receiving the adjusted state share shall not use the additional funds received to supplant local funds appropriated for education. The adjusted state share shall be used solely for educational purposes and shall not be used to reduce local operating expenditures for public education from the prior fiscal year. However, no school division shall be required to maintain a per pupil expenditure for operations that exceeds the per pupil expenditure in the prior fiscal year. The superintendent of the school division shall inform the Superintendent of Public Instruction of the public education purpose for which these local funds shall be used.

C. This section shall not prohibit the Commonwealth from terminating or modifying any program or function under which distribution to a local school board has been made, and if so terminated or modified all obligations hereunder shall cease or be reduced in proportion with such modifications, as the case may be.

D. If any such contractual agreements between the relevant school divisions terminate prior to the end of the applicable period set forth above, the Commonwealth's obligation under this section shall cease.

E. This agreement and adjusted state payment shall be in lieu of any existing funds a locality receives from a Small School Division Assistance grant.

F. Any standard of quality set forth in this act that is not required as of June 30, 2004, and for which additional state funding is required, shall not take effect unless the state's share of funding that standard is included in the general appropriation act for the period July 1, 2004, through June 30, 2006, passed during the 2004 Session of the General Assembly and signed into law by the Governor.

(2004, c. 820; 2008, cc. 589, 705.)

Eligibility Criteria and Procedures for Supplemental Funding for School Divisions in the Commonwealth of Virginia That Enter Into Cost-Saving or Service-Sharing Agreements

Purpose

Section 22.1-98.2, *Code of Virginia*, directs the Board of Education to develop eligibility criteria for cost-saving and service-sharing agreements for school divisions that enter into such agreements with contiguous school divisions. School divisions serving fewer than ~~350~~ *1,100* students in the prior school year, *having a local composite index of .6000 or greater, and having 65 percent or more of their local taxes coming from real estate taxes* that enter into such an agreement with a contiguous school division are eligible to receive the state share for Basic Aid computed on the basis of the composite index of the contiguous school division, calculated annually, for 15 years.

The Governor must approve the adjustment to the state share for Basic Aid prior to the disbursement of funds. The Department of Education must annually report to the Chairmen of the House Appropriations and the Senate Finance Committees the cost saving arrangements made, and the adjusted state shares of Basic Aid approved by the Governor.

Definitions

Eligible school divisions: School divisions that served less than ~~350~~ *1,100* students in the prior school year, *have a local composite index of .6000 or greater, and have 65 percent or more of their local taxes coming from real estate taxes.*

Cost-saving or service-sharing agreements: A formal agreement executed between the eligible school division and one or more contiguous school divisions. This agreement must be evidenced by a written document that bears the original signatures of the superintendents of the participating school divisions. The agreement must contain sufficient information to demonstrate how the agreement meets the eligibility criteria.

Additional State Share of Basic Aid: The difference between the Basic Aid entitlement the eligible school division would normally receive and that which it would receive using the lowest composite index of a contiguous school division participating in the agreement.

Eligibility Criteria

Agreements submitted by an eligible school division to the Department of Education must be made with a contiguous school division and must demonstrate how the agreement meets the following criteria:

- evidence of one or more shared services with another school division; or,
- evidence of the savings or cost increases avoided as a result of shared services or a cooperative agreement for purchasing or other administrative practice; or,
- evidence that a savings has been achieved by contracting services with another school division.

The agreement must include a statement of assurance that it complies with all federal, state, and local laws and regulations.

Examples of agreements that may meet these criteria include, but are not limited to, those that:

1. provide for the consolidation or sharing of specialized educational services or educational support services;
2. provide for the consolidation or sharing of specialized educational facilities in instructional areas such as career and technical education;
3. identify administrative or support services that are duplicative and establish a process for the consolidation or sharing of administrative or support services;
4. provide for joint professional development services;
5. provide for the consolidation or sharing of technology applications and support;
6. provide for the consolidation or sharing of operations and maintenance and custodial services;
7. provide for shared, bulk, or volume purchasing; and
8. provide for privatization or outsourcing of support services with a contiguous school division.

Procedures

To be considered for adjusted Basic Aid funding under Section 22.1-98.2, *Code of Virginia*, a school division must submit to the Department of Education a cost or service-sharing plan with a contiguous division prior to September 1 of each fiscal year.

The content of the submitted cost or service-sharing plan must meet the above listed criteria.

Receipt of adjusted Basic Aid funding will begin after approval of the plan by the Department of Education and approval of the adjusted payment by the Governor of Virginia.

The additional Basic Aid payments will be computed for the eligible school division on the basis of full year funding using the lowest composite index of a contiguous school division participating in the agreement.

All payments of additional Basic Aid pursuant to these procedures are subject to appropriation of state funds for this purpose.

State funding of additional Basic Aid does not reduce the required local effort of the eligible school division.

References

- Section 22.1-98.2, *Code of Virginia*
- Chapter 951-781, 2005 2009 Acts of Assembly