Rebenchmarking the Direct Aid to Public Education Budget for the 2026-2028 Biennium

Presented to the Board of Education

December 10, 2025

Christina Berta, Chief Operations Officer

Staci Longest, Deputy Superintendent, Budget & Finance

Ed Lanza, Director, Office of Budget

Overview of Rebenchmarking Process

- Rebenchmarking:
  - ✓ is the process of updating the cost inputs used in the *Direct Aid to Public Education* funding formulas - both Standards of Quality (SOQ) and non-SOQ - with the latest data available;
  - ✓ occurs every two years for the upcoming biennium;
  - ✓ may increase or decrease state and local shares of funding; and,
  - ✓ does not change funding methodology.

***The Standards of Quality is the Commonwealth's required, minimum foundation program for K-12 education.**

Overview of Rebenchmarking Process

1. Costs are projected forward (from the FY26 base) in incremental steps to account for changes in enrollments, funded salaries/benefits, support costs, inflation, and other cost factors that change over time

2. VDOE began the calculations of the 28 steps in June and finished in October

3. A cross-functioning team uses data sources from:
   - ✓ Department of Taxation
   - ✓ Department of Planning & Budget
   - ✓ Virginia Lottery
   - ✓ Department of Education

4. Largest cost impact is on the various SOQ funding accounts paid on a per pupil basis

1. Update SOQ Rebenchmarking Data Inputs:

- *Staffing Standards
- Funded Salaries
- Inflation Factors
- Support Costs
- Number of Students
- Federal Programs Revenue
- Fringe Benefits

2. Calculate SOQ Cost Components by Div.:

- Instructional Positions
- Support Positions (standardized)
- Support Non-personnel

Deduct Federal Revenues (portion funding support costs)

3. Generate SOQ Per Pupil Amts. by Div.

Division Per Pupil Amounts × Latest Division ADM = Total Costs By Divisions − Sales Tax and Supplemental GF From Basic Aid × Composite Index

= State & Local Shares

only altered as an SOQ policy change.

How Students Generate SOQ Funding

The process:

1. By division, SOQ staffing standards are applied to student enrollments to determine required positions and funded salary/benefits cost;

2. Total cost for each SOQ account is converted to a per pupil amount across all students in the division using March 31 Average Daily Membership (ADM);

3. Per Pupil Amounts, Projected ADM, and the Composite Index are then used to:
   1) calculate the state share of costs for each division, and then
   2) rolled up into the state budget and used for initial payments to divisions.

4. At the end of each year, actual 3/31 ADM determines final per pupil state funding for each division, and remaining payments are adjusted up or down based on divisions' actual ADM.

Note: the appropriation act requires SOQ per pupil funding to be paid using March 31 ADM.

2026-2028 Rebenchmarking - State Cost To Date

This process is a standard, bi-annual process.

- The state cost (to date) to rebenchmark the Direct Aid budget for the 2026-2028 biennium (over the FY26 base) is $1.2 billion:
  - FY 2027 - $580.3 million
  - FY 2028 - $571.2 million
- Various cost factors <u>increasing</u> rebenchmarking cost:
  - Higher base-year non-personnel support costs and local salaries in school divisions
  - State salary increases in 24-26 (6%) reflected in the funded salary amounts for 26-28
  - Higher identified student percentages – At-Risk Add-on
- Various cost factors <u>decreasing</u> rebenchmarking cost:
  - Declining enrollment projections
  - ESSER funds included with other federal funds in the Federal Revenue Deduct step

Incremental State Cost Above FY26 Base

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
1	Remove 33.0% Non-Participation Estimate for the Virginia Preschool Initiative	60,698,366	60,698,366	**121,396,732**
2	Remove FY26 One-Time Spending (no programs)	0	0	**0**
3	Reset Non-personal Support Costs Inflation Factors to 0% in SOQ Model	(88,267,440)	(88,267,440)	**(176,534,880)**
4	Reset Personal Support Costs Inflation Factors to 0% from 12.46% in SOQ Model and Remove FY26 Compensation Supplement Funding from DABS	(537,809,601)	(537,809,601)	**(1,075,619,202)**
5	Update Fall Membership and Average Daily Membership Base-Year and Projected Enrollment Counts	(5,937,645)	(4,480,768)	**(10,418,413)**
6	Update Special Education Child Count to December 1, 2024	35,698,987	35,660,102	**71,359,089**

Incremental State Cost Above FY26 Base (continued)

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
7	Update Career & Technical Education Enrollment to School-Year 2024-2025	(10,373,406)	(10,292,738)	**(20,666,144)**
8	Update SOQ Gifted, Support Technology, and Instructional Technology Positions	(677,565)	(543,561)	**(1,221,126)**
9	Update Base-Year Prevailing SOQ Instructional Salaries to FY24	(58,100,873)	(57,993,437)	**(116,094,310)**
10	Update Base-Year Expenditures from Annual School Report to FY24 for Support Position Costs (Prevailing Base-Year Positions Per-Pupil and Salaries)	189,990,995	189,782,979	**379,773,974**
11	Update Base-Year Expenditures from Annual School Report to FY24 for Non-personal Support Costs Per Pupil	252,868,788	241,889,471	**494,758,259**
12	Update Federal Revenue Deduct Per Pupil Amount (from FY24 revenues)	(23,020,215)	(22,711,359)	**(45,731,574)**

Incremental State Cost Above FY26 Base (continued)

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
13	Update Prevailing Support Positions Ratio (no impact for 2026-2028 biennium)	0	0	**0**
14	Update Costs for Division Superintendents and School Boards	411,407	117,886	**529,293**
15	Update Health Care Premium (without inflation)	52,692,362	52,613,799	**105,306,161**
16	Update Textbooks Per Pupil Amount (without inflation)	(645,558)	(644,666)	**(1,290,224)**
17	Update Pupil Transportation Costs	69,203,780	65,829,644	**135,033,424**
18	Update Non-personal Support Cost Inflation Factors	106,966,780	106,752,452	**213,719,232**
19	Update Salary Inflation Factors (Instructional and Support) – recognize continuation cost of 2024-2026 biennial Compensation Supplement of 6.09%	402,624,281	401,838,836	**804,463,117**

Incremental State Cost Above FY26 Base (continued)

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
20	Update Enrollment Projections for English Language Learners (no impact)	0	0	**0**
21	Update Remedial Summer School Per Pupil Amount and Enrollment Projections	(242,145)	837,012	**594,867**
22	Update Virginia Preschool Per-Pupil Amount	16,125,378	16,125,378	**32,250,756**
23	Update Special Education Student Data in DABS for Special Education Add-on	3,740,159	3,739,959	**7,480,118**
24	Update Data for the SOQ Position Bonus	0	0	**0**
25	Update Early Childhood Education and Incentive Programs	20,623,568	20,406,253	**41,029,821**
26	Update Categorical Accounts	2,263,863	5,129,974	**7,393,837**
27	Update Free Lunch Data, Identified Student Percentage Data, and Lottery Accounts	91,445,794	92,564,202	**184,009,996**
	Total State Cost for 2026-2028 (above FY26)	**580,280,060**	**571,242,743**	**1,151,522,803**

Rebenchmarking Costs by Category

Category	Biennial Cost
Non-personal Support Costs	$486.2 million
Identified Student Percentage	$144.1 million
Pupil Transportation	$135.0 million
Technical Direct Aid Program Updates	$127.4 million
VPI Non-Participation*	$121.4 million
Health Care Costs	$105.3 million
Enrollment	$39.1 million
Salary Updates**	($6.9 million)
TOTAL	**$1.15 billion**

* VPI Non-Participation will be re-introduced as a policy decision in the Governor's 2026-2028 biennial budget as introduced.

** Salary updates reflect timing of 2% compensation supplement effective January 1, 2024.

Fundamental Calc. Affecting State Cost

March 31 Average Daily Membership (ADM):

- Each fall, VDOE calculates spring (March 31) ADM for each division, which is used in initial rebenchmarking estimates and then updated until actual 3/31 ADM is collected for each year of the biennium

- As shown on the next slide, the calculation uses divisions’ Fall Membership and the very close relationship between spring and fall enrollment to project their spring ADM

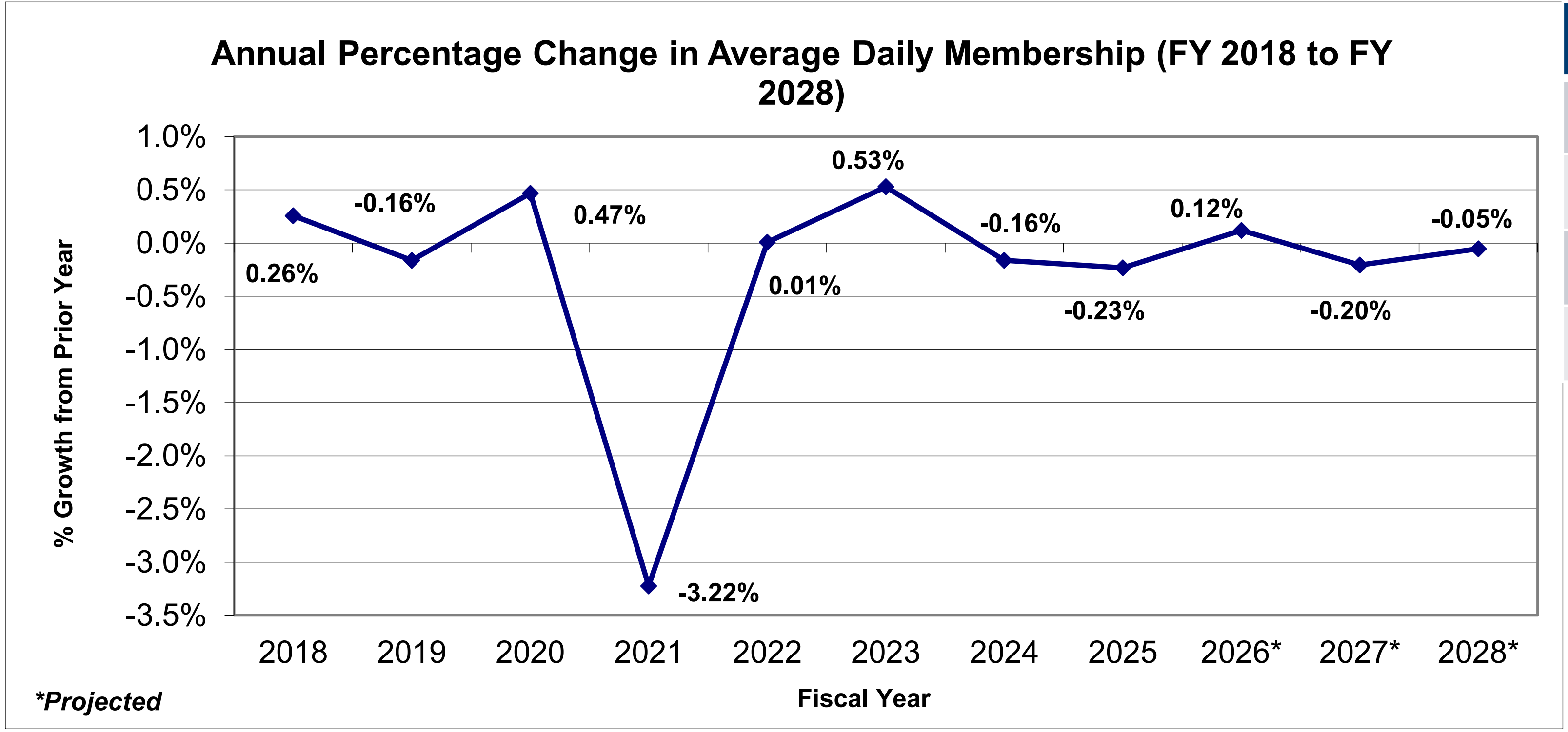
Calculating March 31 ADM - Example

Div's. 9/30 Fall Memb. reported by Oct. 15	Determine Div's. Latest Spring-to-Fall Enrollment Ratio	Multiply Div's. Fall Memb. X Div's. Spring-to-Fall Ratio	Equals Div's. Projected 3/31 ADM
10,000	*0.9950*	*10,000 X 0.9950*	*= 9,950*

**Note: divisions' final per pupil state funding each fiscal year are based on their 3/31 ADM reported each spring.*

Student Enrollment

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
5	Update Fall Membership and Average Daily Membership Base-Year and Projected Enrollment Counts	(5,937,645)	(4,480,768)	**(10,418,413)**



Year	Enrollment
FY 2025	1,212,186
FY 2026*	1,213,646
FY 2027*	1,211,158
FY 2028*	1,210,534

* Projected

Local Composite Index Formula

Formula established in the appropriation act - used to determine state and local shares of SOQ and other Direct Aid funding with a local match

- Expressed as a percentage of local formula values relative to statewide values as a measure of local ability-to-pay for public education
- Index values weighted to derive overall 55% state/45% local share of cost; capped at 0.8000
- Uses True Value of Property, VA Adjusted Gross Income (AGI), and Taxable Retail Sales obtained from Dept. of Taxation; these data are expressed in the formula on a per student and per capita basis with various weights applied
- 26-28 Composite Index values published on VDOE website

Note: State cost impact of 26-28 Comp. Index update will be included in the Governor's 2026-2028 biennial budget as introduced.

Composite Index Formula

Average Daily Membership (ADM) Component =

$$.5\left[\frac{\text{LOCAL TRUE VALUES} \div \text{DIVISION ADM}}{\text{STATE TRUE VALUES} \div \text{STATE ADM}}\right] + .4\left[\frac{\text{LOCAL ADJUSTED GROSS INCOME} \div \text{DIVISION ADM}}{\text{STATE ADJUSTED GROSS INCOME} \div \text{STATE ADM}}\right] + .1\left[\frac{\text{LOCAL TAXABLE RETAIL SALES} \div \text{DIVISION ADM}}{\text{STATE TAXABLE RETAIL SALES} \div \text{STATE ADM}}\right]$$

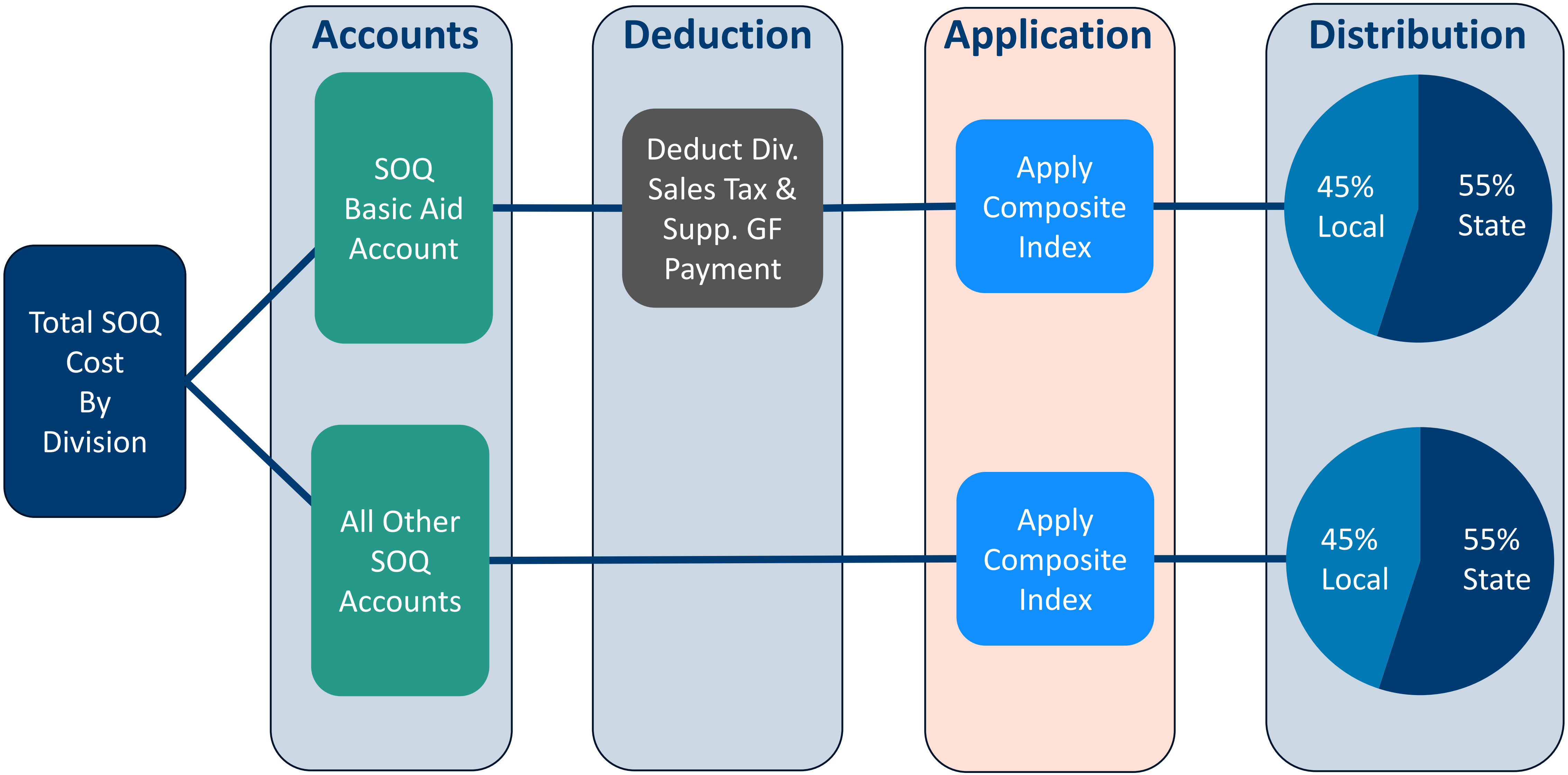
Population Component =

$$.5\left[\frac{\text{LOCAL TRUE VALUES} \div \text{LOCAL POPULATION}}{\text{STATE TRUE VALUES} \div \text{STATE POPULATION}}\right] + .4\left[\frac{\text{LOCAL ADJUSTED GROSS INCOME} \div \text{LOCAL POPULATION}}{\text{STATE ADJUSTED GROSS INCOME} \div \text{STATE POPULATION}}\right] + .1\left[\frac{\text{LOCAL TAXABLE RETAIL SALES} \div \text{LOCAL POPULATION}}{\text{STATE TAXABLE RETAIL SALES} \div \text{STATE POPULATION}}\right]$$

Final Composite Index =

$$\left(.6667 \times \text{ADM COMPONENT} + .3333 \times \text{POPULATION COMPONENT}\right) \times 0.45$$

How the Local Composite Index is Applied



Pending Updates Affecting State Cost

1. Revised local composite index for the 2026-2028 biennium (update formula base-year data from 2021 to 2023) – *VDOE*

2. Final revisions to enrollment projections (Fall Membership and March 31 ADM) – *VDOE*

3. Revised sales tax projections – *Dept. of Taxation*

4. Revised VRS fringe benefit rates – *Virginia Retirement System*

Summary

- Biennial rebenchmarking represents the continuation of existing Direct Aid policy with updated input variables that affect state cost.
- The cost to rebenchmark the Direct Aid for Public Education budget for the 2026-2028 biennium is $1.2 billion.
- Non-personal support costs represent 42% of the cost of biennial rebenchmarking.
- March 31 ADM projections are a function of fall membership and historical ratios of final March 31 ADM compared to final fall membership.

Questions?

Appendix

Rebenchmarking Process

- Rebenchmarking is technical in nature and does not involve changes in funding policy or methodology or funding for new programs, other than those already approved and directed by the General Assembly.

- Costs are projected forward for changes in enrollment, salaries, support costs, inflation, and other factors – costs can increase or decrease depending on the direction of each data update.

- Because rebenchmarking impacts the total cost of the Direct Aid formulas, it impacts both state cost and the required local share that localities must fund for the SOQ and other Direct Aid programs with a local match.

Rebenchmarking Process

- State and federal funding to school divisions for public education is provided through the Direct Aid to Public Education budget. The General Assembly appropriates the funding.

- Direct Aid funding is appropriated in seven budgetary categories:
  1. Standards of Quality (SOQ)
  2. Incentive Programs
  3. Categorical Programs
  4. Lottery Proceeds Fund Programs
  5. Early Childhood Education
  6. Supplemental Education Programs
  7. Federal Funds

- In each odd-numbered year, the state cost of the Direct Aid budget is "rebenchmarked" for the next biennium, beginning the biennial budget development process. The process impacts most state Direct Aid programs in categories 1-5 above.

Rebenchmarking Process

- The rebenchmarked budget represents the state cost of continuing the current Direct Aid programs into the next biennium, with updates to the input data used in the funding formulas that determine the cost of the programs.

  - **Input data used in the formulas are updated every two years to recognize changes in costs that have occurred over the preceding biennium.**
  - **The state cost of SOQ and other Direct Aid accounts are recalculated step-by-step using the latest input data available, isolating the cost of each data update in incremental fashion. About 28 separate steps are involved, each of which can increase or decrease state cost.**

- The rebenchmarked budget is built off the base Direct Aid budget from the previous biennium; the current FY26 Direct Aid budget (Chapter 725) is the starting point against which the rebenchmarking cost for each year of the 2026-2029 biennium (FY27 & FY28) is calculated. The FY26 base budget totals $10.12 billion in general funds).
- Incremental steps of rebenchmarking measure the impact of an update to a particular variable or program to the state general fund.

Rebenchmarking Process - SOQ

- SOQ funding is driven primarily by the instructional staffing standards in the *Code* and the salary/benefits costs for the required instructional positions. It also includes funding for support costs based on "prevailing costs."

- Some components of the SOQ funding process are policy-driven (e.g., standards) but others are technical and must be updated through rebenchmarking.

- Since approximately 80% of state Direct Aid funding is for SOQ programs, SOQ funding is most impacted by the rebenchmarking process; however, state Lottery, incentive, categorical, and early childhood education funding in Direct Aid is also impacted.

Rebenchmarking Data Inputs

Major Data Inputs that are Fixed for the *Biennium*:

- Funded Salaries
- Special Education Child Counts
- Initial Fall Membership & ADM Projections used in SOQ Model
- CTE Course Enrollment
- Local Composite Index
- Head Start Enrollment (for Virginia Preschool Initiative)
- Identified Student Percentages (for At-Risk Add-on)
- Free Lunch Eligibility Percentages
- Inflation Factors (subject to General Assembly action)
- Alternative Education Slots

Major Data Inputs that are Updated *Annually*:

- Enrollment Projections – Fall Membership, ADM, ESL, Remedial Summer School
- Reimbursement Account Projections (ex. School Breakfast Program)
- Lottery and Sales Tax Revenue Estimates
- VRS Fringe Benefit Rates (subject to General Assembly action)

Funded Instructional Salaries

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
19	Update Salary Inflation Factors (Instructional and Support) – recognize continuation cost of 2024-2026 biennial Compensation Supplement of 6.09%	402,624,281	401,838,836	**804,463,117**

Comparison of Funded SOQ Instructional Salaries Across Biennia
2022-2024 to 2026-2028 (Adjusted for Applicable State Funded Increases)

Instructional Position	2022-2024 Funded Salary	2024-2026 Funded Salary	Percent Variance	2024-2026 Funded Salary	2026-2028 Funded Salary	Percent Variance
Elementary Teachers	$53,996	$61,514	13.9%	$61,514	$64,762	5.3%
Elementary Asst. Principals	$75,435	$84,990	12.7%	$84,990	$89,240	5.0%
Elementary Principals	$93,869	$105,277	12.2%	$105,277	$110,059	4.5%
Secondary Teachers	$56,977	$65,655	15.2%	$65,655	$68,417	4.2%
Secondary Asst. Principals	$81,093	$91,978	13.4%	$91,978	$95,663	4.0%
Secondary Principals	$102,844	$115,271	12.1%	$115,271	$118,441	2.8%
Instructional Aides	$21,304	$24,673	15.8%	$24,673	$27,513	11.5%

Funded Support Position Salaries

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
19	Update Salary Inflation Factors (Instructional and Support) – recognize continuation cost of 2024-2026 biennial Compensation Supplement of 6.09%	402,624,281	401,838,836	**804,463,117**

Support Position	22-24 Funded Salary	24-26 Funded Salary	Percent Variance	24-26 Funded Salary	26-28 Funded Salary	Percent Variance
Superintendent	$173,108	$194,757	12.51%	$194,757	$208,416	7.01%
Assistant Superintendent	$134,145	$148,510	10.71%	$148,510	$155,277	4.56%
Specialized Student Support	$51,312	$59,663	16.27%	$59,663	$61,396	2.90%
Instructional Professional	$92,055	$99,485	8.07%	$99,485	$100,578	1.10%
Instructional Technical/Clerical	$37,996	$43,973	15.73%	$43,973	$47,532	8.09%
Attendance & Health Administrative	$91,599	$98,475	7.51%	$98,475	$118,087	19.92%
Attendance & Health Technical//Clerical	$36,268	$40,301	11.12%	$40,301	$41,839	3.82%
Operations & Maintenance Professional	$83,760	$93,653	11.81%	$93,653	$100,141	6.93%
Operations & Maintenance Technical/Clerical	$34,567	$41,337	19.59%	$41,337	$44,414	7.44%
School Board Member	$5,956	$6,806	14.28%	$6,806	$6,647	(2.33%)
Administration Administrative	$88,184	$102,359	16.07%	$102,359	$103,895	1.50%
Administration Technical/Clerical	$48,848	$56,469	15.60%	$56,469	$61,085	8.18%
Technology Professional	$85,531	$96,666	13.02%	$96,666	$102,519	6.05%
Technology Technical/Clerical	$45,290	$48,994	8.18%	$48,994	$53,917	10.05%
Technology Support Standard	$55,865	$62,733	12.29%	$62,733	$67,049	6.88%
School Based Clerical	$34,165	$38,140	11.64%	$38,140	$41,311	8.31%

Non-personal Support Costs

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
11	Update Base-Year Expenditures from Annual School Report to FY24 for Non-personal Support Costs Per Pupil	252,868,788	241,889,471	**494,758,259**

Comparison of Prevailing Nonpersonal Support (No Inflation)
Per Pupil Amounts Across Biennia: 2024-2026 to 2026-2028

Nonpersonal Support Category	2024-2026 Per Pupil Amount	2026-2028 Per Pupil Amount	Percent Variance		Nonpersonal Support Category	2024-2026 Per Pupil Amount	2026-2028 Per Pupil Amount	Percent Variance
Instructional Classroom	$485.77	$608.61	25.3%		Facilities	$1.35	$1.67	23.2%
Instructional Support	$16.41	$22.01	34.1%		Unemployment Insurance	$2.01	$1.31	(35.1%)
Principal's Office	$8.91	$10.41	16.8%		Worker's Compensation	$26.79	$27.82	3.9%
Administration	$79.05	$101.70	28.7%		Disability Insurance	$8.40	$11.78	40.2%
Attendance & Health	$40.96	$51.39	25.5%		Substitute Teachers	$1,588.99	$2,078.50	30.8%
Utilities	$328.53	$390.02	18.7%		Improvement	$720.33	$944.44	31.1%
Communication	$40.62	$34.14	(15.9%)		Technology	$356.84	$309.08	(13.4%)
Operations & Maintenance	$426.76	$492.54	15.4%		Insurance	$34.42	$39.45	14.6%
					Contingency Reserve	$0.18	$2.58	1,329.5%

Health Care Costs

Update #	Rebenchmarking Update	FY 2027 State Cost	FY 2028 State Cost	2026-2028 Total State Cost
15	Update Health Care Premium (without inflation)	52,692,362	52,613,799	**105,306,161**