

# BACON'S REBELLION

The Op/Ed Page for Virginia's New Economy

## The ABCs of SOQs

**Educational spending in Virginia is driven by an arcane formula known as the Standards of Quality. The system deprives policy makers of flexibility and inflates state spending.**

**G**ov. Tim Kaine wants to launch a universal pre-K program for Virginia's children, a program that will cost an estimated \$300 million a year. It's a touching idea, and in a projected \$74 billion biennial budget that includes \$11 billion in new spending, you'd think that Virginia's new governor should be able to find the money somewhere.

It won't be easy. In the budget submitted by departing Gov. Mark R. Warner, state contributions to K-12 school systems already are slated to rise \$1.5 billion for the two-year budget - an increase of 19 percent over the previous two years. And as Kaine will find out, there is very little flexibility in where that money goes. It's nearly all spoken for, thanks to a little-understood funding formula known as the Standards of Quality.

Every parent is familiar with the similarly named Standards of Learning -- standardized tests marking the basic learning requirements for Virginia school children. The SOLs measure performance, or what comes *out* of public schools. SOQs mandate "standards," or what goes *in* to the schools: everything from the number, type and salary of school teachers and administrators to support costs such as textbooks and transportation.

Because SOQs are authorized by the state Constitution, they have first dibs on any new funding, regardless of what a governor's priorities might be. In other words, Gov. Kaine will have to fully fund these "standards" before paying for pre-schools. SOQs have a way of taking the fun out of being governor.

SOQs also constitute a major driver of state spending increases, right up there with Medicaid. Think of a tractor-trailer barreling down the Interstate with a cinderblock on the accelerator and the steering wheel locked into place with an anti-theft bar.

Sound melodramatic? Just look at the contribution that Virginia has made to local public schools for the four years of the Warner administration and the numbers forecast for the first two years of the Kaine administration.



### Virginia Direct Aid to Education

Fiscal Year	Budget (billions)
2003	\$3,923
2004	4,069
2005	4,653
2006	4,993
2007	5,681
2008	5,809

In just five years, direct aid to education, which accounts for about 90 percent of all state support for K-12 in Virginia, will have increased 48 percent, or darn near \$2 billion per year. Gov. Kaine's \$300 million-per-year universal pre-K program would come on top of that increase.

Folks, we have the worst of both worlds: Education spending is not only out of control but it is so circumscribed that policy makers have little latitude to undertake new initiatives. As standards ratchet ever higher every two years, Virginia will be spending more and local school officials *still* will be crying poverty!

According to a recent report by the Clare Boothe Luce Policy Institute, "Education Funding in Virginia," it's time to scrap the cumbersome SOQs.

Writes Lil Tuttle, education director for the institute: "Virginia's current staff-based SOQ methodology is excessively complex, obscures the money trail from state to school and students, hinders legislators' ability to assess the effect of funding on educational performance, and undermines public accountability and performance."

The SOQs utilize an arcane methodology that observers often compare to as a "black box," taking into account the number of students in each local school system, the locality's wealth and ability to pay, and a number of other factors. Every two years, the state recalculates the prevailing cost of operating Vir-

ginia's public schools in a process known as "re-enrichment."

The way formula is structured, it ratchets costs higher at a rate exceeding inflation and enrollment increases. Here's what happens: The state reimburses poor localities at a much higher rate, up to 80 percent, than it does wealthy localities, which get as little as 20 percent. Because wealthy localities such as Fairfax County receive very little state support, they spend more of their own money. Because they spend more of their own money, they contribute disproportionately to the total amount of local spending on education. Because the formula calculates prevailing costs on the basis of total local spending, Fairfax County, with its one million inhabitants and generous funding, carries as much weight in the SOQ funding formula as dozens of poorer counties combined.

Meanwhile, the poor counties have an incentive to be generous with wage and benefit increases because they know that within two years, the state will be reimbursing 80 percent of their costs. Round and round the system goes, with "re-benchmarking" inflating the tab each year.

But that's only one reason that SOQs are a bad idea, notes Tuttle. The system has the drawback of being incomprehensible to all but a handful of budgetary experts. Even most members of the General Assembly don't understand it.

"Virginia's 51 funding accounts and complex computer model calculations create an incomprehensible budgetary maze that frustrates public accountability and undermines public confidence," Tuttle writes. "State legislators have no way of knowing how much state aid reaches

their constituents' schools and students, or whether those funds are used efficiently."

While SOQs might have been an appropriate funding vehicle a couple of decades ago, when educational quality was defined in terms of inputs, they are no longer. "Today," she writes, "educational quality is expressed in terms of achievement and performance."

**T**he solution is remarkably simple. Tuttle recommends a transparent formula that provides local school systems far more flexibility in how they spend their money without unduly penalizing poor jurisdictions.

Instead of funding local school systems based on the number of teachers, guidance counselors and assistant principals they supposedly need, the Commonwealth would fund them based on the *number of students* they have. Under this alternative, the state would provide one "Student Funding Allotment" (SFA) for each student, weighting the allotments for special needs, as follows:

- 1.9 SFA for severely disabled
- 1.2 SFA for poverty
- 1.2 for limited English
- 1.2 for learning disabled

The Institute tested the effect of such a funding formula based on a state contribution of \$6,000 per Student Funding Allotment. (That means \$11,400 for a severely disabled student, and \$7,200 for other special categories.) This system still would favor poor jurisdictions: Although they would get the same amount of aid per student, a lower cost of living and lower prevailing salaries mean that their dollars would go farther than they do in affluent localities.

The conclusion: "All but 13 Virginia school districts would receive more funding in Fiscal 2006 under the student-based method than they are projected to receive under the existing staff-based method." And of the 13 losing districts, 12 have declining student enrollment.

Advantages of letting money follow the student include:

- **Transparency.** Legislators and the public know exactly how much money the state is spending per student.
- **Flexibility.** Local school boards would have the ability to adjust staff levels to meet local needs instead of following statewide standards that may or may not apply.
- **Less red tape.** School districts would not have to collect and report as much administrative data.

Most important, state education spending would be determined by the priorities set by the Governor and the General Assembly, not a funding formula running on auto-pilot as interpreted by anonymous bureaucrats. Who knows, Gov. Kaine might find he could afford to pay for universal pre-K after all.

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