



RAPPAHANNOCK COUNTY PUBLIC SCHOOLS

SUPPLEMENTAL BASIC AID AMENDMENT PROPOSAL

October 2022

OVERVIEW

1. Background and Description

i Funding public education in Rappahannock County, Virginia requires very careful planning and collaboration between school and county administration. With many competing priorities, unique demographics, an aging population, declining school enrollment, and limited capacity to generate tax revenue, sustaining a high quality, first-rate public education in Rappahannock takes a creative approach. With the ever-increasing, largely unfunded demands placed on the public school system by the state, along with the costs of ameliorating the impacts of COVID-19, innovative problem-solving and alternative sources of funding have never been more important.

In order to address these issues, the **School Innovative Finance Taskforce (SIFT)**, founded by the County Administrator and School Superintendent of Rappahannock County, was formed to focus on understanding the current financial realities facing the public schools and the county, as well as researching opportunities to influence that portfolio. The supplemental basic aid amendment proposal is one of the key recommendations of the task force aimed at maximizing available state revenue.

2. Supplemental Basic Aid

i Section 22.1-98.2, Code of Virginia, provides additional state funding to school divisions serving fewer than 1,100 students in the prior school year, in a locality that has a local composite index of 0.6000 or greater, and has 65 percent or more of its local taxes coming from real estate taxes, if they enter into a cost-saving or service-sharing agreement with a contiguous school division that meets criteria established by the Board of Education. Further, this provision authorizes the Virginia Department of Education (VDOE) to provide the additional state funding to the qualifying school division by calculating its state Basic Aid entitlement using the lowest composite index of the contiguous school divisions involved in the agreement. Currently, Rappahannock County Public Schools is one of only two school districts in the Commonwealth who qualify for and receive a Supplemental Basic Aid allocation through establishing cost-saving/service-sharing agreements with contiguous counties. Highland County is the only other system also benefiting from this program.

3. Problem

i Rappahannock County's state entitlement is capped due to enactment language in Chapter 589 of the 2008 General Assembly which stated that the sum of the Basic Aid and Supplemental Basic Aid payments to Rappahannock County shall not exceed its **FY 2007**

Basic Aid payment of \$1,129,280. Now, in recent local school budget development, this cap does not account for annual adjustments for inflation and rising costs or amelioration of COVID impacts in schools, and results in restricting the allocation to a funding level over 15 years old, very nearly negating the costs of the service-sharing agreement Rappahannock County Public Schools currently holds with Madison County Public Schools. Also, as Highland County is not subject to this cap, an inequity exists in the distribution of this important state subsidy program. For example, in FY 21, Highland County received a supplemental state Basic Aid payment in the amount of \$681,224 based on Augusta County's FY 21 composite index of 0.3769 in lieu of Highland's composite index of 0.8000. Highland's FY 21 fall membership was 184 students. Comparatively, Rappahannock County received a supplemental state Basic Aid payment in FY 21 in the amount of \$321,404 based on Madison County's FY 21 composite index of 0.4738 in lieu of Rappahannock County's composite index of 0.7990. Rappahannock County's FY 21 fall membership was 766 students.

4. Proposed Solution

i In order to more fairly and accurately provide this crucial funding stream to Rappahannock County Public Schools, the School Innovative Finance Taskforce (SIFT) recommends the following action be taken regarding Supplemental Basic Aid:

- Remove the cap placed on only Rappahannock County Public Schools in enactment language of Chapter 589 of the 2008 General Assembly affecting *Section 22.1-98.2, Code of Virginia* thereby allowing the full qualified Supplemental Basic Aid payment to be distributed to Rappahannock County Public Schools in the FY 24 state budget.

5. Attachments

- i**
- A. September 15, 2021 VDOE letter authorizing supplemental basic aid payment to Highland County Public Schools and Rappahannock County Public Schools
 - B. Cost-savings/Service-sharing agreements for both Highland County and Rappahannock County with contiguous counties for FY 21
 - C. SIFT Report & Infographic
 - D. Chapter 589 General Assembly 2008 Session enactment language of 22.1-98.2
 - E. FY 22 Code of Virginia 22.1-98.2