

Notes on School Finance: Selected Information on Funding for Low-Income Students in SREB States

When SREB receives a request for information, the data collected about a topic often may be helpful to legislators, policy-makers and staff in other member states. A recent request for information relative to how states use data about the number of students living in poverty to distribute state funding to public schools or to target programs to students from low-income families is just such a topic.

SREB prepared these notes with the assistance of state legislative, governors and state departments of education staff. The information is not intended to be all-inclusive, but it does represent the largest portion of funding that is distributed based on federal poverty levels. Special thanks go to the staff in the states for their contributions.

Summary:

With the renewed attention on education across the nation, states are focusing on achievement for all students, rigorous college- and career-readiness standards, and college completion. Part of these efforts focuses on closing education attainment gaps among groups of students. SREB's Challenge to Lead 2020 Goals for Education call for student achievement for all groups of students to exceed state standards and national averages — at rates that close achievement gaps between the groups. For well over a decade, SREB has reported on performance gaps between students from low-income families and other students by using NAEP results — and in some cases, those gaps are closing.

SREB states vary in their methods for distributing state funding to local school districts. For those states that consider family income in distributing funds, most often the main factor used is the number of students who qualify for federal free and reduced-priced meals in the National School Lunch Program, though Mississippi and Virginia use those who qualify for free meals only. While family income is considered in distributing funds, most often the target population for services is expanded to focus on students who are considered at risk by varying definitions that may include poverty.

- Five SREB states (Alabama, Delaware, Florida, Georgia, and West Virginia) do not use family income to distribute funding.
- Kentucky, North Carolina, Oklahoma and Tennessee use family income as a factor in the school finance formula but do not restrict the use of funds to particular groups of students.

- Louisiana, Mississippi, Texas and Virginia use family income as a factor in the school finance formula and require the funds to be used for targeted populations, usually for low-income or at-risk students.
- Arkansas, Kentucky, Louisiana, South Carolina and Virginia report funding categorical programs that consider poverty.
- Arkansas and South Carolina (a portion of a property-tax offset attributed to low-income students) distribute funding based on students in poverty and require that the funding be used only for those students.
- Arkansas and Virginia take the proportion of a district's poverty into account in distributing funding.
- States vary in their approaches to effectiveness and accountability.

State-specific details are on the following pages.

Arkansas

Arkansas provides funding for students from low-income families through a categorical program specifically for those students. Low-income students are defined as those eligible for free or reduced-price meals under the national meal program as determined on October 1 of the prior school year.

The state provides varying levels of support based on the percentage of students in each district who qualify for these meals. In 2013-2014, districts with less than 70 percent of students in poverty receive \$517 per student. Districts with at least 70 percent but less than 90 percent of their students in poverty receive \$1,033 per student, and those with 90 percent of students (or greater) in poverty receive \$1,549.

Because funding is based on the prior-year percentage of students in poverty, districts receive funds from an additional allocation (\$512,943 in 2012-2013) if they have grown by at least 1 percent annually for the prior three years. A district also receives a transitional adjustment to ease the funding changes if the percentage of eligible students causes it to cross one of the percentage break points in the level of funding. This adjustment can be positive or negative — in 2012-2013, two districts received additional funding and 18 lost funding.

Districts are to provide research-based programs that are aligned to the state standards for the students eligible for the federal meal program to improve instruction and increase the academic achievement of those students. They may not use funds to “augment, replace or supplement the mandatory requirements of the Arkansas Standards for Accreditation.” Districts also may not use funds to support the minimum teacher salary schedule, though they may provide bonuses or salary supplements if the district is in compliance with the state Board of Education rule governing the use of the funds and if they meet certain conditions. Districts must receive authorization annually to continue the bonuses/supplements.

The state statutes delineate eligible programs for which districts may expend funds and authorize the state Board to establish by rule a list of approved programs:

- Employing highly qualified teachers in grades K-12 (if the district meets minimum teacher salary schedule requirements)
- Reducing pupil-teacher ratios below the requirements of the Arkansas Standards for Accreditation. Districts must receive approval from the state Department of Education of a plan that identifies specifically how the funds will pay specific teachers to lower the ratios. Districts also must show how the salary funding will support an increased need or deficiency.
- Providing literacy, math and/or science instructional coaches
- Providing research-based professional development in the areas of literacy, math and/or science in grades K-12
- Providing researched-based kindergarten, before- and after-school academic programs, early intervention programs and summer programs

- Employing tutors, teacher's aides, certified counselors, licensed social workers, nurses and/or curriculum specialists
- Providing parent education
- Obtaining instructional materials, supplies and equipment, including technology for the programs

Each district prepares an Arkansas Comprehensive School Improvement Plan and must include in the plan how the funds will be utilized. Districts may gain flexibility in the use of funds by meeting certain criteria. Districts are to evaluate their programs annually and document gains in student achievement. Any change in a district's plan must be approved by the Department of Education.

More information about Arkansas's funding system is available at:

<http://www.arkleg.state.ar.us/assembly/2013/Meeting%20Attachments/810/I12022/Foundation%20Funding%20and%20the%20Matrix.pdf>.

Kentucky

In Kentucky, the Legislature provides funding based on poverty through the Support Education Excellence in Kentucky (SEEK) program, which is the finance formula. Currently, the base student amount is \$3,827 per student. A factor of 0.15 (\$574) is applied for each student from a low-income family. Funds are not student-specific; only a district count is used. These funds become “general fund” in the local accounting system and are utilized as the district desires.

For funding purposes, Kentucky defines low-income students as those students who qualify for free and reduced-price meals through the federal meal program.

Districts may expend the funds in any manner they choose, and they are not tied to an identified student population. Since 1990, school districts have had the authority to determine how to best expend state funds generated by the funding formula.

While some categorical programs (such as Family Resource and Youth Service Centers) include the number of low-income students when determining the amount of particular grants to local school districts, most funding is provided through the SEEK formula.

Because the use of funds is not restricted, it is not possible to determine a direct link between funding and program effectiveness for target student populations. No specific reporting is required.

An Executive Summary of the SEEK program is available at:
<http://education.ky.gov/districts/SEEK/Pages/default.aspx>.

Louisiana

The Louisiana Legislature provides funding that considers family income through the Minimum Foundation Program (MFP), which is the finance formula. At-risk students (which include students from low-income families) are funded at an add-on program weight of 0.22. Total funding is \$271 million.

Louisiana defines at-risk students as those who qualify for the federal free and reduced-priced meal program and those identified as English-language learners who are not included in the low-income student count.

Districts must spend the funding on those students that generate the funds through the formula. Districts may use the funding for personnel, professional services, instructional materials, equipment and supplies.

Districts report expenditure information annually to the state Department of Education. Effectiveness of programs is not tied to future funding.

In addition to the state funding provided in the MFP, the state also supports the LA4 early childhood program, which serves at-risk 4-year-olds with an appropriation of \$74 million. LA4 has been studied and has been determined to be effective in raising the achievement level in later grades of the 4-year-olds who participated in the program.

The *MFP Handbook* for 2011-2012 is available at:

<http://www.louisianabelieves.com/docs/minimum-foundation-program/2011-2012-minimum-foundation-program-handbook.pdf?sfvrsn=2>.

Maryland

Maryland considers students from low-income families in funding provided through the Compensatory Education calculation. Students from low-income families generate an additional factor of 0.97 of the foundation per pupil amount. The formula takes into account the state and local share funding support (statewide average of 50 percent each) and is adjusted for district wealth. Basically the formula is as follows: Foundation Pupil Amount x 97% x 50% x Number of Students Receiving Meals. For distribution, the state's share of the formula (the 50%) is adjusted for district wealth (county wealth/state wealth). In addition, there is a minimum per district guarantee.

Maryland defines low-income students as those who qualify for the federal free and reduced-priced meal program.

The 2002 Bridge to Excellence in Education Act (SB 856) revamped the finance formula —addressing both adequacy and equity — and it linked funding to goals and targets that are part of district-developed comprehensive plans.

The district-developed Comprehensive Master Plans must include strategies for improving student achievement and eliminating achievement gaps. Each year, districts submit to the Maryland State Department of Education (MSDE) an update to the plan for review and to determine if school districts are making progress. The MSDE uses the master plan to hold a school system accountable for using resources in a way that enables it to meet the needs of all students, at the same time providing flexibility in how the district uses state funds. In addition, MSDE tracks student performance through statewide assessments.

The funds are provided in an unrestricted nature, but the General Assembly did put in place mechanisms to guarantee that funds are being spent appropriately through the Education Fiscal Accountability and Oversight Act of 2004 (SB 284). The act included mechanisms to ensure that districts spend funds appropriately. In a periodic audit, local school systems must demonstrate alignment between their annual budget and their plans for improving student achievement. Additionally, the state superintendent must file an annual report on the relationship of school system and budget priorities. Within the master plans and annual updates, school systems address the connection between resources and priorities. While districts are to use funding as outlined in their master plans, the state does not track funding down to low-income students.

While it has not done so to date, the state Board of Education has the authority to withhold resources from a school system if it has not demonstrated annual progress in improving student achievement and meeting state performance standards in every

segment of the student population. A district also may be penalized if it fails to submit a plan that the state superintendent feels will allow the school system progress in improving student performance.

The MSDE contracted for a study done by the research firm MGT of America Inc. in 2008. The study identified program factors that consistently produce positive results. Through a survey of educators and site visits, MGT determined that best practices fall into three interrelated but distinct categories:

- “A planning and support system for teachers with weekly (or more often) meetings of teacher teams to plan and discuss student-level data and instructional processes
- An aligned individualized and inclusive instructional process that includes systematic assessments and adjustment of instructional delivery
- A supportive and positive school environment of high expectations from administrators, teachers and students” (MGT, 2008)

In addition, MGT analyzed best practices and their impact on student achievement and found five effective practices:

- “Grade/subject area team meetings for planning
- Use of student-level data for planning instruction
- Discussing instructional practices in team meetings
- Reading and Math teacher specialists
- Targeted, embedded professional development” (MGT, 2008)

MGT found that for economically disadvantaged students, “intensively used planning and support practices are more powerful in explaining increases in student achievement in schools with high percentages of economically disadvantaged students.” Differentiated instruction also was identified as “statistically significant in predicting higher reading achievement in schools with high percentages of economically disadvantaged students.” (MGT, 2008)

In general, MGT found a positive relationship between the percentage of a school’s classes taught by highly qualified teachers and the percentage of closure in the proficiency gap in reading and math in middle grades schools.

The study reports are available at:

<http://docushare.msde.state.md.us/docushare/dsweb/View/Collection-18046>.

A description of the Bridge to Excellence funding program is available at:

http://www.marylandpublicschools.org/NR/rdonlyres/841ABD3D-FC95-47AB-BB74-BD3C85A1EFB8/31364/FS_63_2012_.pdf.

Mississippi

The Mississippi Adequate Education Program (MAEP), the state’s funding formula, doesn’t specifically fund students from low-income families, but a cost component of the formula for at-risk students uses the number of students participating in the federal free and reduced-price meal program as a proxy in the calculation.

The basic funding formula is as follows:

- 1) $ADA \times \text{Base Student Cost} + \textit{At-Risk Component} - \text{Local Contribution} + 8\% \text{ Guarantee} = \text{MAEP Formula Allocation}$
- 2) $\text{MAEP Formula Allocation} + \text{Add-on Programs} = \text{Total MAEP District Funding}$
Add-on programs include: transportation, special education, gifted education, vocational education and alternative education.

The calculation for the *At-Risk Component* is as follows:

- 1) $5\% \text{ of the Base Student Cost} \times \text{Number of Free-Lunch Participants on October 31 of the prior year.}$

For funding purposes, at-risk students are defined as those who participated in the federal free-lunch program (not free and reduced-price lunch) on October 31 of the prior year.

For expenditures, districts must spend the At-Risk funds on effective programs specifically to serve at-risk students. Each district determines the definition of an at-risk student. Under state Board of Education policy, the rule relating to the program provides examples of student groups who may be used in defining a student as at risk — one of which is a “student who is currently participating in the USDA Free and Reduced Lunch Program (if the school or district is 100 percent free and reduced lunch an additional at-risk determination is required).”

The remaining definitions of “at risk” include a student who:

- is not meeting the requirements necessary for promotion to the next grade level or graduation from high school
- has attained an education level below other students of their age or grade level
- is a potential dropout
- is failing two or more courses of study
- has been retained
- is not reading on grade level
- is pregnant, or
- is a parent.

An effective program is one designed to “target the unique needs of the student in order to allow the student to perform on grade level and ultimately graduate from high school.” Districts can offer programs before, during or after school, but they may not be regular courses available to all students.

Each district develops an At-Risk program request and the state Department of Education reviews the request and decides if the program is a valid use of the MAEP At-Risk funds. The DOE assists districts by providing information on “valid” programs. Should a district wish to spend funding on any program other than what was included in its program request, it must receive approval from the DOE. Those that fail to comply with requirements are considered in violation of the state accountability standards and may have their accreditation level downgraded.

School districts must submit annual reports, as determined by the DOE, on the district’s program for at-risk students. Districts failing to comply with any requirements of this policy will be in violation of the Mississippi Public School Accountability Standards, which will result in the downgrading by the Accreditation Commission of the district’s accreditation level.

Mississippi defines an effective program as one designed to “target the unique needs of the student in order to allow the student to perform on grade level and ultimately graduate from high school.” State Board of Education policy identifies a list of programs that include but are not limited to: alternative school programs, dropout prevention programs, drug awareness programs, after-school programs, extra support within a class, career counselors, parent centers, extended year, class-size reduction, school nurse programs, social work services and mentoring programs.

A description of the MAEP funding formula is available on the DOE Financial Services Web page at: <http://www.mde.k12.ms.us/school-financial-services/maep>.

North Carolina

North Carolina does not specifically fund for students from low-income families through its funding mechanism, but income is taken into account in calculations for two categories: At-Risk and Disadvantaged Students. Funds in 2012-13 totaled \$269.9 million for at-risk students and \$77.1 million for disadvantaged students.

For funding purposes, the At-Risk allocation defines at-risk students as “... a young person who because of a wide range of individual, personal, *financial*, familial, social, behavioral or academic circumstances may experience school failure or other unwanted outcomes unless interventions occur to reduce the risk factors.” This broad definition applies to many students, regardless of family income. The allotment for at-risk students considers a district’s Title I poverty count in the funding calculation with other factors, including the cost of a resource officer in each high school, funds allocated directly to the state Board of Education, and funds for students in treatment programs.

For At-Risk funding, there are four parts to the distribution:

- 1) \$500,000 goes to the state Board.
- 2) Each local district is given funds to hire a school resource officer in each high school.
- 3) Funds are provided for students in treatment programs.
- 4) Of the remaining funds, 50 percent is based on Title I poverty counts, and 50 percent is based on average daily membership.

A district’s Disadvantaged Student population is determined by three factors:

1. The percent of students living in a single parent family
2. *The percent of population ages 5-17 below the poverty line*
3. The percent of students who have at least one parent with less than a high school credential.

When allotting funding, these three factors are considered, as well as a district wealth component (which provides funding for one teacher per so many students identified as disadvantaged based on the district’s ability to generate local revenue).

There are few restrictions on the expenditures from the state allotments, but funds provided are expected to supplement — not supplant — any local or federal funds. Districts can use the Disadvantaged Student funds for instructional positions, support positions and professional development; for intensive in-school and/or after school remediation; to purchase diagnostic software and progress-monitoring tools; and for teacher bonuses and supplements, up to 35 percent of the funds. For the At-Risk allotment, priority uses of funds should be used to provide instructional positions or support positions and professional development, provide intensive in-

school and/or after-school remediation, and purchase diagnostic software and progress monitoring tools.

Funding provided through the At-Risk and Disadvantaged Student allotments is not intended to fund discrete programs or to be used independently of other fund sources.

More on the funding of North Carolina's public schools is available in a legislative staff PowerPoint presentation at:

http://www.ncleg.net/documentsites/committees/JointAppropriationsEducation2013/2013%20Session/2013-02-19%20Meeting/FRD_FundingNCsPublicSchools_2013_02_19.pdf.

In addition, the Department of Public Instruction has several reports relating to finance at: <http://www.ncpublicschools.org/fbs/resources/data/>.

Oklahoma

Funding based on economically disadvantaged students is provided through the Foundation Aid program, which is the finance formula. Economically disadvantaged students are funded at an add-on program weight of 0.25. Currently, the formula funding factor (base student allocation) of \$3,035 applied to the weight of 0.25 yields about \$759 per student.

Low-income or economically disadvantaged students are defined as those who qualify for the federal free and reduced-priced meal program.

Districts may expend the funds in any manner they choose and are not restricted to spending the funds generated on the identified student group.

Because funding becomes part of overall spending by districts, there are no specific reporting requirements and program effectiveness is not tied to funding.

The State Department of Education has a technical assistance document that contains information about the school finance system at:

http://www.ok.gov/sde/sites/ok.gov.sde/files/documents/files/FY%202013%20FIN%20AL%20TAD_o.pdf.

South Carolina

The Education Finance Act, which lays out the basic funding formula, does not include any factor based on a student's family income. There is, however, a distribution of funding to offset a change in property taxes (Act 388 of 2006) that involves a poverty factor. Act 388 eliminated property taxes for school operations on owner-occupied homes but offset the reduction with a one-cent increase in sales tax. The first year of the reduction, the state allocated to school districts a dollar-for-dollar match on the reduced revenue totaling about \$539 million. The next year, the Legislature appropriated about \$569 million.

The amount grows each year, factoring in the Consumer Price Index and population growth – the estimated distribution for 2013-14 is \$673.3 million. The distribution formula for this funding to school districts takes poverty into account. A district receives its proportionate share of funds based on its percentage of statewide weighted pupil units, with an additional add-on weighting of 0.2 for students in poverty.

The state also funds categorical programs that either use family income as a means to distribute funding or to identify students to receive services:

- Students at Risk of School Failure allocates funds based on two factors, one of which is the poverty index of the district, which measures student eligibility for the federal meal program and Medicaid. The other involves students not in poverty or eligible for Medicaid but who are low performing in that they do not meet state standards in reading or mathematics. The actual formula is:
$$\frac{((A \text{ District's Poverty Index} \times \text{Number of Students in the District}) + (\text{Students not in Poverty who do not Meet State Standards in Grades 3-8} + \text{Students not in Poverty who do not Meet Standards on High School Equivalency Testing}))}{\text{the State's total At-Risk Population}} \times \text{total Appropriated Funding} = \text{the District's pro rata Share of At-Risk Funds.}$$
- Early Childhood Programs (4K programs) allocate funds to districts based on its proportional share of the state's prior-year number of kindergarten students eligible for the federal free and reduced-price meal program.
- Palmetto Priority/SIG Schools provide \$200,000 to schools designated as priority schools.
- The K-5 Enhancement program provides districts with a base amount of funding, and additional per pupil allocation based on the K-5 Average Daily Membership and an allocation based on students in poverty. Approximately \$28 million is available in 2013-14.

Low-income students generally are defined as those who qualify for Medicaid and/or for the federal free and reduced-priced meal program.

Relative to spending, according to Section 11-11-156 of the statutes, districts must use the funds for low-income students from the property tax offset for addressing the academic or health needs of those students to ensure their future success. Districts have the flexibility to use whatever research-based educational strategies they choose to improve the academic performance of the students. The statute mentions as possibilities: summer school, reduced class size, after-school programs, extended day, instructional materials or other strategies.

Relative to the separate categorical programs:

The Students at Risk of School Failure program requires that least 85 percent of the funding allocated for academic at-risk students must be spent for instruction and instructional support for those students who generated the funds. For 2013-14, \$136.2 million was appropriated.

Early Childhood Programs (4K programs) permit funds to be used for children who qualify for the federal meal program or Medicaid, and for children with developmental delays but who don't already qualify for special need services. For 2013-14, \$15.5 million was appropriated. Additional funding is available for districts with more than 75 percent of children in poverty (\$20 million).

Palmetto Priority/SIG Schools grants can be used for a number of efforts including the training of teachers in how to teach children in poverty.

The purpose of the **K-5 Enhancement** program is to improve the teaching of the grade-specific standards and the academic performance of K-5 students. Funds cannot supplant existing academic programs and must be used to strengthen the academic performance in core academic areas of those students considered historically underachieving. Strategies identified in the state's *Funding Manual* may include:

- literacy, mathematics or science coaches
- programs for serving limited-English-proficient students
- social studies initiatives
- academic mentoring programs
- school- and classroom-based awards, and
- other innovative district programs.

According to the *Funding Manual*, these funds specifically are to be directed toward:

- improving the academic performance of all students in grades K–5 in the core academic areas of English language arts, mathematics, science and social studies
- increasing K–5 teacher knowledge of subject-matter content in the core academic areas
- increasing K–5 teacher knowledge of and practice in standards-based instructional strategies that promote the academic achievement of all children
- increasing K–5 teacher skills in developing classroom assessments and teacher skills in using assessment data to improve instructional practice, and
- supporting evaluation strategies designed to demonstrate that these funds contribute to the increased knowledge and skills of participating teachers, the improvement of student achievement, and the closing of academic performance gaps that exist among student subgroups.

Effectiveness of the specific programs is not tied to funding. Reportedly, there is no review to ensure districts are using the property tax offset funds for “research-based” programs as specified in the statutes.

The Department of Education’s *Funding Manual* contains descriptions of the state’s finance program at: <http://ed.sc.gov/agency/cfo/finance/Fiscal-Systems/ManualsandGuidelines.cfm>.

Tennessee

Tennessee's funding formula, the Basic Education Program (BEP), includes a component for At-Risk Class-Size Reduction. For the formula calculation, the federal free and reduced-price meal program is used to define at-risk students.

Based on a 1:15 class size reduction for K-12, the estimated amount per identified at-risk ADM (average daily membership) was \$509.46 in 2012-2013. The basic formula provides a range of 20:1 to 25:1, depending on grade level, in the calculation of regular classroom needs.

The BEP formula calculates the level of funding for each school system based on a number of factors but does not prescribe specific levels of spending for individual components. The sum of the funding from the various components represents the level of support necessary for schools to succeed.

Actual costs of the essential components of the finance formula are monitored and updated annually. It is not feasible to tie funding to the effectiveness of formula components since there is no requirement that funds be spent on targeted students.

Tennessee's Basic Education Program is described at:

http://www.tn.gov/sbe/BEP/2012%20BEP/BEP_Blue_Book_FY13.pdf.

Texas

In Texas, funding is provided through the Foundation School Program finance formula. Students from low-income families are funded at an add-on program weight of 0.2. The bulk of funding generated by low-income students is intended to provide supplemental services to eliminate gaps in test performance and high school completion among different student groups. Students generating the funding do not necessarily receive services because the service population is identified primarily by deficiency in academic performance.

Briefly, the 0.2 factor is applied to the basic allotment that is adjusted for local tax effort and taxable values, geographic cost variations and district size. The estimated cost associated with the program weight for low-income/at-risk students in 2014 is about \$1,100 per eligible student, for a total of about \$3.5 billion.

Low-income students are defined as those who qualify for the federal free and reduced-priced meal program. Funding provided is based on the highest six months' average participation in the meal program in the prior federal fiscal year.

Relative to district spending, at least 52 percent of the funds generated by the add-on program weight must provide direct services to students identified as at risk for services such as compensatory education and accelerated or intensive instructional services, and they may include efforts such as disciplinary alternative education programs, placement in juvenile justice alternative education settings, and programs such as Communities in Schools. The largest part of the direct service spending requirement is for teacher salaries. Districts can use the balance of the funds generated (up to 48 percent) for indirect costs such as extra instruction outside of the normal school day, transportation outside of regular transportation provided, computers, and building and equipment needs.

Statutes require locally developed district and/or campus needs assessments and improvement plans. Expenditures must be made based on those documents. The funds also are subject to state compliance audits.

School districts and charter schools report to the state on factors such as high school completion rates, dropout rates and other factors. Additionally, performance on state assessments is tracked by student subgroups, including economically disadvantaged students. These measures, however, are not correlated with any specific funding source in the reporting. Consequently, there is no direct measure of effectiveness or outcomes-based accountability associated with expenditure of funding for at risk students that is currently reported. Program effectiveness is not tied to future funding.

In 2008, the Texas Education Agency contracted for a study of Community in Schools used by many districts and schools with the specific purpose of addressing the needs of students at academic risk.

The TEA report is available at:

http://ritter.tea.state.tx.us/opge/progeval/DropoutPrevention/CIS_of_Texas_Final_Evaluation_2008.pdf.

Texas school finance manuals are available at:

http://www.tea.state.tx.us/index4.aspx?id=7022&menu_id=645&menu_id2=789.

Virginia

The Standards of Quality (SOQ) foundation formula and lottery-funded programs take federal free-lunch eligibility (not free and reduced-lunch eligibility) into account. Part of the SOQ foundation formula includes services for Prevention, Intervention and Remediation that are an add-on to Basic Aid for students who need additional instruction. The funding supports the state share of additional instructional positions to reduce the pupil-teacher ratio to a range of 10:1 to 18:1, depending on the percentage of a district's population of students at risk of failure (using the three-year average of each district's free-lunch eligibility).

Funding is distributed as follows:

$((\text{Per Pupil Amount} \times \text{Unadjusted ADM}) \times (1 - \text{Composite Index})) = \text{State Share.}$

In addition to SOQ formula funding, there are five lottery-funded programs that use free-lunch eligibility (not free and reduced-price meal eligibility) as a means to distribute funding or identify students to receive services. The formulas and information below were provided by the state Department of Education:

- At-risk funds are dispersed to districts to support the additional costs of educating at-risk students for programs that assist those students.

Funding is based on the Percentage of Students Eligible for Free Lunch x Current-year Unadjusted ADM = Estimated Number of Students Eligible for Free Lunch x (Add-on weight ranging from 1% to 12% based on free lunch eligibility rate) x Basic Aid per Pupil Amount x (1 - Composite Index) x 100% = State Share.

- Early Reading Intervention funds are used by districts for: special reading teachers, trained aides, volunteer tutors, computer-based reading tutorial programs, aides to assist in classes while teachers provides direct instruction to students who need extra help, or extended instructional time (school day or year). Districts receive funding based on the percentage of students needing services as identified by a screening diagnostic, or free- lunch eligibility in the absence of the diagnostic.

Funding is based on a ratio of one teacher per five students in kindergarten through third grade at 100% of the estimated population for kindergarten and grades 1, 2 and 3.

For 2012-2013, the number of eligible students was based on the percentage of students needing services as determined by the PALS (Phonological and Literacy Screening) diagnostic, or free-lunch eligibility in the absence of PALS data. This percentage is calculated by dividing the number of students identified as needing intervention by the number of students tested.

For 2013-2014, the methodology for funding kindergarten to second grade remains unchanged; however, the percentage for third-grade students is calculated as the total number of third-grade students identified as needing intervention divided by total third-grade fall membership. The 5:1 ratio is applied to the eligible student population and then multiplied by 36 Weeks x 2 1/2 Hours per Week = Hours of Service x Hourly Rate x (1 - SOQ Composite Index) = State Share.

- The K-3 Primary Class-Size Reduction Program provides funding to districts for reducing class sizes in the early grades below the SOQ standard of a pupil-teacher ratio of 24:1. Schools may receive funding if they have at least 30 percent of their students eligible for free lunches. The target lower pupil-teacher ratios range from 19:1 to 14:1, depending on the free-lunch rate in the eligible schools.

Funds are distributed as follows: ((K-3 Fall Membership for Eligible Schools x Eligible per Pupil Amount) x (1 - Composite Index)) = State Share.

- Algebra Readiness (Virginia Standards of Learning) provides funding to districts for students in seventh and eighth grade who are at risk of failing the algebra end-of-course test.

Funds are distributed as follows: ((Total Number of Students in Eligible Grades x Division Free-Lunch Eligibility Percentage)/ 10 [student to teacher ratio of 10 to 1]) x 36 Weeks x 2-1/2 Hours of Instruction per Week = Hours of service x Hourly Costs of Teaching Services x (1 - Composite Index) = State Share.

- Virginia Preschool Initiative funding is for un-served, at-risk 4-year-olds to provide quality preschool education, health services, social services and pupil transportation, and to encourage parental involvement. Public and private providers may deliver services, which must include full-day or half-day school year programs.

Funds are distributed as follows: Projected Number of 4-year-olds x Percent of Students Eligible for Free Lunch = Estimated Number of 4-year-olds at risk (minus) the Number of 4-year-olds Served by Head Start Programs = 100 percent of at-risk 4-year-olds. Estimated Un-served at-risk 4-year-olds x \$6,000 (or \$3,000 for half-day programs) x (1 - Composite Index [capped at 0.5000]) = State Share.

Districts must to utilize the funds for the programs as intended, but there is broad flexibility in what models and specific efforts they use to address the needs of the identified students.

The Commonwealth has not specifically tied student results to funding for the particular programs, and program effectiveness is not tied to future funding. It would be difficult to directly tie the effectiveness of funding in particular areas, given the flexibility that districts have in choosing models to implement. Funding, however, has coincided with improvements in Standards of Learning test scores, graduation rates, lower dropout rates and other student performance measures. Every few years, the General Assembly reviews Standards of Learning test scores and these other measures against funding and participation levels for those particular years.

HJR 729 (2007) directed that Joint Legislative Audit and Review Commission (JLARC) to study Virginia's preschool program for at-risk 4-year-olds, the Virginia Preschool Initiative (VPI). The report found that: "VPI classrooms appear to provide a positive academic and social experience for children. VPI students do well in pre-kindergarten and kindergarten literacy tests. Kindergarten teachers report that the preschool programs for at-risk students in their schools are preparing children very well for kindergarten." (JLARC Website)

One recommendation was that the Virginia Department of Education (DOE) conduct a longitudinal study of VPI and other preschool programs to determine how the performance on state tests of these sets of students compares throughout their years in school. The first part of the study looked at third-grade performance on 2010-2011 tests. DOE staff indicated that students participating in VPI tended to do better on the state tests than non-participating students.

A description of the Standards of Quality foundation formula is available at a link on the Virginia Department of Education school finance website:

http://www.doe.virginia.gov/school_finance/index.shtml.

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