School Board Members’ Perceptions of Fiscal Autonomy in Virginia

Jeremy Raley, Ed.D.
Assistant Superintendent for Administration and Finance
Shenandoah County Public Schools
jjraley@shenandoah.k12.va.us
Background
• Funding formulas have been scrutinized since mid 20th century
  ◦ 45 state funding systems challenged in the courts
• Funding formulas based on property wealth created vast discrepancies among localities
  ◦ Burrus vs. Wilkerson (1968)
  ◦ State funding formula not unconstitutional
  ◦ Served as the catalyst for change & the creation of the SOQ funding formula
Virginia’s Funding Formula

**COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA**

**Average Daily Membership (ADM) Component =**

\[
\text{Local True Values}_{\text{Local ADM}} + 0.4 \text{ Local Adjusted Gross Income}_{\text{Local ADM}} + 0.1 \text{ Local Taxable Retail Sales}_{\text{Local ADM}}
\]

\[
- \text{State True Values}_{\text{State ADM}}
\]

**Population Component =**

\[
\text{Local True Values}_{\text{Local Population}} + 0.4 \text{ Local Adjusted Gross Income}_{\text{Local Population}} + 0.1 \text{ Local Taxable Retail Sales}_{\text{Local Population}}
\]

\[
- \text{State True Values}_{\text{State Population}}
\]

**Final Composite Index =**

\[
((0.6667 \times \text{ADM Component}) + (0.3333 \times \text{Population Component})) \times 0.45
\]
• Shift from equity to adequacy

• Standards-based financial reform
  • “It’s time to overhaul the way states finance education.” (Verstegen, 2002)

• Can public education finance structures keep up with academic expectations?

Shift in Focus
• **Fiscal Independence** – local school boards have the authority to develop budgets and levy taxes to support operations and objectives

• **Fiscal Dependence** – rely on another governmental entity (county or city) to approve and fund public education

• 9/50 states have all fiscally dependent school divisions (Education Commission of the States, 2004)

• 80% of school boards have the power to levy taxes (Hotaling, 1999)
### Fiscal Independence

<table>
<thead>
<tr>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate funding battles between schools and governing body</td>
<td>Change to focus of school board elections</td>
</tr>
<tr>
<td>Better able to meet student achievement expectations</td>
<td>Overall higher taxes</td>
</tr>
<tr>
<td>Clear line of accountability to voters</td>
<td>Jeopardize the current system of checks and balances</td>
</tr>
<tr>
<td>Money goes directly to the schools</td>
<td></td>
</tr>
<tr>
<td>School board communicates directly with voters</td>
<td></td>
</tr>
</tbody>
</table>
• Legislation supporting a JLARC study first introduced in 2000

• JLARC study supported by both VSBA and VACO

• No bill introduced in 2011 General Assembly

Fiscal Independence in VA
Why is it an issue?

- VA contributes 32.5% of overall budget to K-12 (Salmon, 2010)
  - Lowest % of state aid for K-12 since 1978-1979

<table>
<thead>
<tr>
<th>School Funding</th>
<th>State</th>
<th>Local</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Avg.</td>
<td>48%</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Virginia</td>
<td>32.5%</td>
<td>57.7%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

- Lack of state funding = burden on localities

Why is it an issue?
Why is it an issue?

- NEA estimates that VA will rank 47\textsuperscript{th} in fiscal effort \cite{Salmon2010}

- VA Ranks 8\textsuperscript{th} in wealth as measured by the state’s Gross Domestic Product (GDP) \cite{BakerSciarrFarrie2010}
  - Funding distribution
  - Funding effort
## Why it is an issue?

<table>
<thead>
<tr>
<th></th>
<th>VA Rank</th>
<th>Percent/Amount</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Priority</td>
<td>28</td>
<td>20.3%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Revenue Level (per capital)</td>
<td>39</td>
<td>$549</td>
<td>$721</td>
</tr>
<tr>
<td>Revenue Level (per pupil)</td>
<td>38</td>
<td>$3,444</td>
<td>$4,396</td>
</tr>
<tr>
<td>Revenue Burden</td>
<td>42</td>
<td>$17.17</td>
<td>$23.90</td>
</tr>
</tbody>
</table>

Source: Benton (2010)
Problem & Purpose
1. Would fiscal independence impact a school division’s ability to meet academic expectations?

2. How would fiscal independence impact the budget process?

3. Are there any geographic differences regarding fiscal autonomy?

4. Does governance structure impact board members’ beliefs regarding fiscal autonomy?

Research Questions
- Public School Finance in the U.S.
- Equity, Adequacy, and Foundational Formulas
- From Equity to Adequacy
- Standards Based Finance Reform
- Local Funding Structures
- Elected School Board Members

Review of the Related Literature
Methods

• Questions informed by literature
• Web-based
• Sent to 132 School Board Chairs in VA
• 96/132 had e-mail address on web
• 10/36 w/ no e-mail (Reg. 7 - Southwest)
• 59 responses
• 44.7% return rate

• Semi-Structured
• Region 4: Northern Virginia
• Small
• Medium
• Large
• Wealthy
• Poor
• Elected
• Appointed
• All eager to participate

Survey and interviews took place during the same month
<table>
<thead>
<tr>
<th>Region</th>
<th>Surveys Sent</th>
<th>Surveys Received</th>
<th>Percent Received</th>
<th>Percent Of All Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region 1 - Central Virginia</td>
<td>15</td>
<td>6</td>
<td>40.0%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Region 2 - Tidewater</td>
<td>15</td>
<td>8</td>
<td>53.3%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Region 3 - Northern Neck</td>
<td>17</td>
<td>4</td>
<td>23.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Region 4 - Northern Virginia</td>
<td>19</td>
<td>10</td>
<td>52.6%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Region 5 - Valley</td>
<td>20</td>
<td>8</td>
<td>40.0%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Region 6 - Western Virginia</td>
<td>15</td>
<td>3</td>
<td>20.0%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Region 7 - Southwest</td>
<td>19</td>
<td>9</td>
<td>47.4%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Region 8 - Southside</td>
<td>12</td>
<td>11</td>
<td>91.7%</td>
<td>18.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>132</strong></td>
<td><strong>59</strong></td>
<td><strong>44.7%</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Elected, Appointed, and Both

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected</td>
<td>79.7%</td>
<td>47</td>
</tr>
<tr>
<td>Appointed</td>
<td>20.3%</td>
<td>12</td>
</tr>
<tr>
<td>Both appointed and elected</td>
<td>0.0%</td>
<td>0</td>
</tr>
</tbody>
</table>

### Years of Experience

How many years have you served as a school board member?

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>39.0%</td>
<td>23</td>
</tr>
<tr>
<td>6-10 years</td>
<td>39.0%</td>
<td>23</td>
</tr>
<tr>
<td>11-15 years</td>
<td>8.5%</td>
<td>5</td>
</tr>
<tr>
<td>16-20 years</td>
<td>5.1%</td>
<td>3</td>
</tr>
<tr>
<td>More than 20 years</td>
<td>8.5%</td>
<td>5</td>
</tr>
</tbody>
</table>

Region 7 was most experienced.
Elected school boards in Virginia should have the ability to levy taxes in order to fund school division budgets.

**Positives:**
- Avoid intrusion by local govt.
- Greater accountability
- Ability to define needs

**Negatives:**
- Referendum
- More micro-managed
- “Recipe for disaster”
- Divide between boards
- Competition for taxpayer $ 
- Responsibility
- Out of control spending
- Confidence in calculation

**Fiscal Independence**
Elected school board members have earned the right to be able to fund the school division budget independent of the local governing body.

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>16.9%</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>18.6%</td>
<td>11</td>
</tr>
<tr>
<td>Neutral</td>
<td>10.2%</td>
<td>6</td>
</tr>
<tr>
<td>Agree</td>
<td>32.2%</td>
<td>19</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>22.0%</td>
<td>13</td>
</tr>
</tbody>
</table>

Positive:
- “Nobody blames the school board for raising taxes” - WA
- Works with good relationship with governing body

Negative:
- “Very demoralizing” RW - Wealthy
- No incentive to be frugal

“The idea that you have elected officials that have to go with their tin cup to the taxing authority for money to operate something that you’re in charge of and they’re not in charge of is. It’s a problem” (LL-Large)
The current dependent financial structure in Virginia allows for our school board to meet the funding needs of the school division. Differences between geographic regions were significant; strongest feelings from Regions 3 & 6.

Interview data agrees with survey data.
<table>
<thead>
<tr>
<th>Statement</th>
<th>Region 3</th>
<th>Region 5</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected school boards in Virginia should have the ability to levy taxes</td>
<td>4.25</td>
<td>2.00</td>
<td>3.36</td>
</tr>
<tr>
<td>in order to fund school division budgets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appointed school boards in Virginia should have the ability to levy</td>
<td>2.25</td>
<td>1.88</td>
<td>2.48</td>
</tr>
<tr>
<td>taxes in order to fund school division budgets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elected school board members have earned the right to be able to fund</td>
<td>4.50</td>
<td>2.38</td>
<td>3.24</td>
</tr>
<tr>
<td>the school division budget independent of the local governing body.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There should be no limits on the ability of independent school boards</td>
<td>2.50</td>
<td>1.63</td>
<td>2.44</td>
</tr>
<tr>
<td>to levy taxes to support the school division's budget.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School board taxing authority should be limited.</td>
<td>3.50</td>
<td>3.57</td>
<td>3.56</td>
</tr>
<tr>
<td>The current dependent financial structure in Virginia allows for our</td>
<td>1.00</td>
<td>2.25</td>
<td>2.02</td>
</tr>
<tr>
<td>school board to meet the funding needs of the school division.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having independent taxing authority would allow our school division to</td>
<td>4.50</td>
<td>2.13</td>
<td>3.49</td>
</tr>
<tr>
<td>be better able to meet state and federal student achievement expectations.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our school board has a good relationship with our local governing body.</td>
<td>1.75</td>
<td>3.38</td>
<td>3.44</td>
</tr>
<tr>
<td>Having independent taxing authority would hinder our school board's</td>
<td>2.00</td>
<td>3.13</td>
<td>2.95</td>
</tr>
<tr>
<td>relationship with our local governing body.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Virginia General Assembly should study the concept of fiscal</td>
<td>4.75</td>
<td>3.00</td>
<td>3.92</td>
</tr>
<tr>
<td>independence for school boards.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall: Although there were geographic differences, no correlation
Our school board has a good relationship with our local governing body.

<table>
<thead>
<tr>
<th>Region</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Overall</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>59.3% Agree</td>
<td>3.2</td>
<td>3.6</td>
<td>1.8</td>
<td>3.2</td>
<td>3.4</td>
<td>4.0</td>
<td>4.3</td>
<td>3.5</td>
<td>3.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Having independent taxing authority would hinder our school board's relationship with our local governing body.

<table>
<thead>
<tr>
<th>Region</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Overall</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>46.6% Agree</td>
<td>3.7</td>
<td>2.8</td>
<td>2.0</td>
<td>2.9</td>
<td>3.1</td>
<td>3.0</td>
<td>3.6</td>
<td>2.8</td>
<td>3.0</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Keys to Success:
- Honesty
- Communication (formal & informal)
- Trust
- Transparency
- Superintendent Respect

59.3% Agree

6/7 interviewed referenced positive aspects

4/7 cite areas of improvement
Governance Structure

Appointed school boards in Virginia should have the ability to levy taxes in order to fund school division budgets.

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>20.7%</td>
<td>12</td>
</tr>
<tr>
<td>Disagree</td>
<td>34.5%</td>
<td>20</td>
</tr>
<tr>
<td>Neutral</td>
<td>25.9%</td>
<td>15</td>
</tr>
<tr>
<td>Agree</td>
<td>13.8%</td>
<td>8</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>5.2%</td>
<td>3</td>
</tr>
</tbody>
</table>

“Taxing authority has to be with people who are elected” – WA (Appointed)

No significant relationship between governance structure and beliefs on taxing authority

Appointed Boards:
- “Easier to show leadership” – WA (Appointed)
- “Not as many performers” - WA
- “Political” – WE (Elected)
- “Beholden” – RW (Wealthy)
- “Serve at my request” – FM (Medium)
- “Direct line of accountability if elected” – FS (Small)
There should be no limits on the ability of independent school boards to levy taxes to support the school division's budget.

Regions 2 (Tidewater) & 5 (Valley) had strongest feelings on need for limits

Taxing Structure
- Give school boards a piece of the local property tax raising authority
- No machine & tools tax, cigarette taxes, etc.

• Financial Hurdles
• Understanding of fiscal responsibility
• Alternative Solutions
• Flaws with composite index (focus on state)
Findings mirror those of North Carolina and Tennessee

- Common themes related to potential positive and negative outcomes of fiscal independence

- **VA:** 50.8% support fiscal independence
  - 22% neutral

- **TN:** 57% support fiscal independence
  - 21% neutral

- Massie (2010): 40% support fiscal independence

Similar to Neighbors
Tennessee School Boards Association (2010): “Accountability without authority is simply unreasonable and the time has come to move forward with a funding system for education that is fair and sensible and one that will place student achievement on top of the priority list.”

74.6% of survey respondents indicated that the current dependent financial structure in Virginia does now allow their school board to meet the funding needs of the school division.
- **28.9%** of School Board Chairs in **VA** do not believe that their school board has a good relationship with their governing body.

- **27%** of school board members in **TN** indicate that they have either a poor or fair relationship with their funding agency.
Balance of Power

School Boards  Local Government
### Conclusion 1
There is a lot of interest in the topic of fiscal autonomy for elected school boards.

- **Recommendation**:
  - General Assembly support for a JLARC study

### Conclusion 2
If granted independence, there should be restrictions on the amount and type of tax that can be levied.

- **Recommendation**:
  - Elected boards only
  - Work in conjunction with established assessments
  - Direct line of accountability to stakeholders
  - JLARC study
**Conclusion 3:** Boards must establish a relationship built on trust, respect, honest, and transparency.

**Recommendation:**
- Meaningful and ongoing dialogue
- Mutual respect
- Formal and informal
- Role of the chief executive

**Conclusion 4:** The success of fiscal autonomy is based on shift of power from one board to another.

**Recommendation:**
- Critical component of JLARC study
Implications for Future Research

Viewpoint of Superintendents

Viewpoint of local government

General Assembly Perspective

Deeper investigation of neutral respondents
Questions....


