

Public Education

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890*	\$4,951.8	\$1,403.3	\$4,951.8	\$1,403.3
Proposed increases	606.8	14.7	655.8	19.4
Proposed decreases	<u>(426.3)</u>	<u>(0.0)</u>	<u>(432.2)</u>	<u>(0.0)</u>
\$ Net Change	180.5	14.7	223.6	19.4
HB/SB 30, as Introduced	\$5,132.3	\$1,417.9	\$5,175.4	\$1,422.6
% Change	3.6%	1.1%	4.5%	1.4%
<p><i>*Note: The general fund base budget reflects \$107.3 million in one-time spending in each year and is included in the proposed decreases totals.</i></p>				

- **Direct Aid to Public Education**

- *Listings, by locality, of the estimated funding for FY 2013 and FY 2014 Direct Aid to Public Education is included as Appendix A and B, respectively.*

Summary of Proposed Actions for Direct Aid to Education
(GF \$ in millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Total</u>
Update SOQ Programs	\$180.7	\$197.1	\$377.8
Update Retirement Contribution Rates*	170.9	171.5	342.4
Update Incentive and Categorical Programs	64.8	77.5	142.3
Update Composite Index	42.7	45.0	87.8
Net Change for Sales Tax Forecast & Basic Aid Offset	17.6	35.7	53.4
Net Governor's Initiatives for Public Education	2.7	2.3	5.0
Net All Other Actions	0.3	0.3	0.7
Reduce Literary Fund Transfer to GF for VRS	0.0	0.3	0.3
PreK: Use Kindergarten Count as Proxy for Four-Year-Olds	(13.0)	(13.7)	(26.7)
Update Forecast & Transfer GF Programs into Lottery	(11.2)	(15.9)	(27.1)
Capture Estimated Non-Participation in PreK	(27.3)	(27.6)	(54.9)
Eliminate Support Cost of Competing Adjustment	(32.2)	(32.8)	(65.0)
Include a Portion of ARRA SFSF in Federal Revenue Deduct	(54.0)	(54.1)	(108.1)
Eliminate Non-personal Inflation Update	(54.4)	(54.6)	(109.0)
Remove FY 2012 One-Time Spending	<u>(107.3)</u>	<u>(107.3)</u>	<u>(214.5)</u>
Total Action to FY 2012 Adopted Budget	\$180.5	\$223.9	\$404.4
Total Action to FY 2012 Adjusted Base Budget	\$287.8	\$331.1	\$618.9

*Includes VRS, Group Life, and Retiree Health Care Credit Rates.

- **State's Share of Biennial Rebenchmarking.** Preliminary rebenchmarking calculations by the Department of Education as of July 2011, totaled \$145.6 million GF in FY 2013 and \$173.1 million GF in FY 2014.

The Governor's introduced budget for FY 2012-14 included updating the remaining rebenchmarking data steps along with a number of policy changes.

The following major updates were made to the July rebenchmarking totals: 1) an additional \$170.9 million GF the first year and \$171.5 million GF the second year for fringe benefits rate increases; 2) an additional \$42.7 million GF the first year and \$45.0 million GF the second year for the updates to the Local Composite Index; and, 3) a net increase of \$17.6 million GF the first year and \$35.7 million GF the second year due to the updated sales tax revenue projections.

- **Projected Enrollments.** Reflects student enrollment projections estimated to total 1,222,669 in the unadjusted ADM in FY 2013, and 1,229,800 students in FY 2014, up from 1,216,321 for FY 2012 in Chapter 890 of the 2011 Acts of Assembly.
- **Funded Instructional Salaries.** Reflects updated funded salary levels from 2010-12 to 2012-14 due to base year (FY 2010) prevailing salaries.

- ***Health Care Premiums.*** Reflects prevailing costs associated with the health care premium rate of \$3,907 per funded position up from \$3,375 per position which was included in the last update.
- ***Base Year Expenditures.*** Reflects various adjustments including base year (FY 2010) expenditure data; updating of school-level enrollment configurations; and updated data for the federal revenue deduction.
- ***Transportation Costs.*** Reflects updated base year transportation cost data.
- ***Textbook Per Pupil Amount.*** Reflects per pupil prevailing textbook costs, reported by localities, of \$89.72, compared with the amount funded of \$40.56 for FY 2012 in Chapter 890 of the 2011 Acts of Assembly.
- ***Incentive, Categorical, and Lottery Accounts.*** Reflects various adjustments to incentive, categorical, and Lottery-funded accounts that are linked to SOQ funding factors, such as ADM enrollment or Basic Aid per pupil cost and student program participation totals.

In addition, reflects a projected increase in Lottery Proceeds of \$14.4 million NGF in FY 2013 and \$19.1 million NGF in FY 2014 for total proceeds of \$450.3 million NGF and \$455.0 million NGF, respectively. Proposes transferring Remedial Summer School back to the SOQ service area to be funded with General Funds rather than Lottery Proceeds.

Also captures savings of \$22.1 million NGF each year in the preschool initiative based on a non-participation rate of 25.4 percent, consistent with the rate included in Chapter 890 for FY 2012.

- ***Removal of FY 2012 One-time Spending.*** Reflects a total reduction of \$107.3 million GF each year from the FY 2012 base budget contained in Chapter 890. The language in Chapter 890 stipulated that the following items were funded for only one year: 1) Supplemental Support for Operating Costs of \$87.7 million; 2) Composite Index Hold Harmless supplement of \$16.6 million; and 3) Performance Pay Pilot Initiative of \$3.0 million.
- ***Funded VRS Fringe Benefit Rates.*** Adds \$151.0 million GF the first year and \$151.6 million GF the second year for the state's share of the cost from increasing the following rates above the funded rates contained in Chapter 890: 1) Professional teacher rate to 11.66 percent for the employer contribution, up from 6.33 percent; and 2) Non-professional rate to 10.23 percent, up from 7.53 percent. Further, adds \$19.9 million GF each year from increasing the rates for the Retiree Health Care Credit to 1.11 percent up from 0.60 percent and the employer's share of Group Life to 0.48 percent up from 0.28 percent.

The proposed rate of 11.66 percent is based on the following actuarial assumptions: 1) an amortization period of 30 years; 2) an investment return rate of 8 percent; 3) a 2.5 percent COLA; and 4) includes 1.43 percent for the first year's payback over ten years due to the decision of the 2010 General Assembly to defer the portion of the contribution rate attributable to the unfunded liability rate.

The related additional local cost is estimated to be about twice the state's share, or an additional \$340 million GF statewide from local sources each year.

- ***Composite Index (CI).*** The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2007 to 2009, which is the most current available at the time the CI updates are calculated. The composite index measures local wealth through true value of real property (50 percent), adjusted gross income (40 percent) and retail sales tax collection (10 percent). The index is weighted two-thirds by ADM and one-third by population.

The revised index went up for 86 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs); the composite index went down for 41 school divisions (decreasing the locality's share of SOQ costs), and the composite index was unchanged for the remaining nine divisions.

- ***Projected Sales Tax Revenue (December 2011 Official Forecast).*** The sales tax revenues from the one cent portion and the additional one-eighth cent sales tax from the Public Education SOQ/Real Estate Property Tax Relief Fund that are dedicated for public education and distributed based on school-aged population are projected to increase from \$1,162.3 million GF in Chapter 890 to \$1,202.5 million GF in FY 2013 and \$1,243.7 million in FY 2014. These estimates are based on the Governor's 2011 forecast.
- ***Eliminate Non-personal Inflation Update.*** Proposes saving \$54.4 million GF the first year and \$54.6 million GF the second year by eliminating the update of the FY 2010 base year non-personal costs up to the beginning of FY 2013.
- ***Federal Revenue Deduct.*** Proposes saving \$54.0 million GF the first year and \$54.1 million GF the second year by including in the federal revenue deduct calculation a portion of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) revenues divisions received from FY 2010, the base year for the 2012-14 biennium re-benchmarking. The proposed portion of stimulus revenues included in the federal revenue deduct represents 59.2% of total SFSF revenues to school divisions in FY 2010, from the portion allocated by the General Assembly to offset Direct Aid reductions in FY 2010.
- ***Eliminate Support Cost of Competing.*** Proposes savings of \$32.2 million GF the first year and \$32.8 million GF the second year by eliminating the cost of

competing adjustment for support costs for the for school divisions in Planning District Eight and certain adjacent divisions as specified in the appropriation act. No change is proposed to the cost of competing for instructional positions.

- ***Change to Virginia Preschool Initiative Funding Methodology.*** Proposes a savings of \$13.0 million the first year and \$13.7 million the second year by changing the basis for the estimate of four-year-olds to the projected number of kindergarten students, updated once each biennium with the Governor's introduced biennial budget.

For FY 2013 and FY 2014 only, the number of slots funded in each school division will be the higher of 1) the calculated slots based on projected kindergarten enrollment or 2) the lesser of either the calculated slots using projections of four-year-olds from the Virginia Employment Commission (VEC) or the actual number of utilized slots in FY 2012. Beginning with FY 2015, the number of funded slots would be based only on projected kindergarten enrollment in lieu of VEC projected number of four-year-olds. This results in about 5,500 fewer total slots in FY 2013, for a possible total of about 23,000, and 5,700 fewer total slots in FY 2014. While the proposed change in the funding methodology generates fewer available slots, the total number funded is still higher than the actual number of slots filled by divisions.

- ***New Governor's Initiatives in K-12 Education.*** Proposes a net \$2.7 million GF the first year and \$2.3 million GF the second year across various initiatives as detailed below:
 - ***Provide Grant to Communities in Schools (CIS).*** Proposes \$1.0 million GF each year for Communities in Schools of Virginia, a non-profit organization that assists students who are most at risk of low achievement or dropping out. The funding will be tied to supporting dropout prevention activities and will be divided between CIS and targeted localities throughout the state with underperforming schools. Localities will be required to apply for funding as well as provide a matching grant of up to \$100,000 each year.
 - ***College Ready PSAT Initiative.*** Proposes \$913,016 GF each year to pay the Preliminary SAT (PSAT) testing costs for all 10th graders enrolled in a public school, based on 75 percent of all students taking the test.
 - ***Preparation Pilot Initiative.*** Proposes \$300,000 GF in FY 2013 and \$400,000 GF in FY 2014 to establish the Preparation Pilot Initiative, based on competitive proposals targeting Virginia higher education institutions. Institutions submitting proposals must have an elementary education prek-6 approved program or middle/secondary approved programs in mathematics and science. The pilot will include one year of planning and student candidates will be expected to complete a baccalaureate degree and licensure requirements in four years. Preference will be given to proposals that prioritize tuition incentives in the budget.

- ***Math & Science Teacher Recruitment Pilot.*** Proposes \$500,000 GF in FY 2013 and \$100,000 GF in FY 2014 to establish the Math and Science Teacher Recruitment Pilot Initiative. A new full-time teacher with no teaching experience with a five-year teaching license with an endorsement in mathematics, physics, or technology education assigned to a teaching position in a corresponding STEM subject area is eligible to receive a \$5,000 initial incentive award after the completion of the first year of teaching with a satisfactory performance evaluation and a signed contract for the following school year. An additional \$1,000 incentive award may be granted for each year the eligible teacher receives a satisfactory evaluation and teaches a STEM subject for up to three years. The maximum incentive award for each eligible teacher is \$8,000. State funding will be awarded on a first-come, first-served basis with preference to teachers assigned to teach in hard-to-staff schools or schools in improvement.
- ***Virginia Workplace Readiness Skills Assessment.*** Proposes \$308,655 GF each year for the Virginia Workplace Readiness Skills Assessment and other Board-approved industry certifications. This would cover the cost of the workplace readiness skills assessment for 40 percent of the students who graduate from Virginia public schools each year, based on the per student cost for the Virginia workplace readiness skills assessment fee of \$9.00. School divisions could choose to use these funds to cover the costs of other industry certifications that have been approved by the Board of Education.
- ***Charter Schools.*** Proposes \$100,000 GF each year for the Superintendent of Public Instruction to award supplemental grants to assist in the development of charter schools based on criteria established by the Department of Education.
- ***Health Science Academies.*** Proposes \$80,000 GF the first year to plan for Governor's Health Science Academies, based on competitive proposals from school divisions in each of the eight superintendents' planning regions for planning grants of \$5,000 each. Upon approval by the Board of Education to implement an Academy in the second half of FY 2013, the Department will award eight implementation grants of \$5,000 to each of the approved Academies. These grants are one-time only to assist in the creation of these Academies.
- ***Youth Development Summer Academy Pilot Program.*** Proposes \$67,897 GF each year to support implementation of a Youth Development Summer Academy for rising ninth- and tenth-grade students. All school divisions within selected pilot regions will have the opportunity to send students to the academy, with a total of approximately 50 slots available. The pilot program will last for a minimum of two weeks in the summer of 2012 and 2013. The local applicant selected to conduct a pilot academy, in

consultation with the Department of Education, will develop the curriculum and content for the pilot academy to include a focus on civics education, financial literacy, community service, preventive health, character education, and leadership skills.

- ***Summer Residential Governor's Schools.*** Proposes adding \$60,068 GF each year for Summer Residential Governor's Schools and Foreign Language Academies to fund increased costs of existing programs offered. Funding for this initiative has been provided from the elimination of the Mentor Teachers in Hard-to-Staff Schools.
- ***Redirect Existing GED and Adult Literacy Funds to PlugGED In.*** Provides \$465,375 GF each year to expand PlugGED In VA to all eight superintendents' regions by reallocating: 1) \$300,000 in existing GED funds; 2) \$125,000 from the elimination of the adult literacy funding to the Department of Housing and Community Development; and 3) \$40,375 from the elimination of the Virginia Education Technology Alliance.

The PlugGED In GED course curriculum is designed to incorporate technical training as a means to develop both hard skills, such as the specialized technology knowledge reflected in either Microsoft or Career Readiness certifications, and soft skills, such as communication, workplace ethics, collaboration, and innovation.

- ***Eliminate Grant for Project Discovery.*** Proposes reprogramming \$619,650 GF each year by eliminating Project Discovery, a non-profit organization that assists students in graduating from high school and successfully making the transition to post-secondary education, and redirecting the funding to partially support the Communities in School initiative.
- ***Race to GED Testing Costs.*** Proposes adding \$385,138 GF in extra funding each year to address rising GED testing costs, which have been reprogrammed from the Mentor Teachers in Hard-to-Staff Schools. The fees charged by GED testing vendors increased by \$13 (from \$45 to \$58 per test taker) in July 2011, and are expected to continue to rise substantially in the coming two years as the test content and format change. The additional funding offsets the increase in the current GED testing cost.
- ***Eliminate Mentor Teachers in Hard-to-Staff Schools.*** Saves \$839,067 GF each year by eliminating the Mentor Teachers in Hard-to-Staff Schools funding portion of the Education for a Lifetime (EFAL) initiative. The Department of Planning and Budget indicates that only about a quarter of the available funds were being requested. The savings have been reprogrammed to support proposed new spending for the Race to GED, Summer Residential Governor's School, and Virtual Virginia.

- ***Virtual Virginia – Economic and Personal Finance Course Requirement.*** Proposes adding \$325,000 GF each year to support the statewide implementation of delivery via Virtual Virginia of the newly required graduation credit for an Economics and Personal Finance class. Funding for this initiative has been provided from the elimination of the Mentor Teachers Hard-to-Staff Schools.
- ***Increase Grant for Jobs for Virginia Graduates.*** Adds \$250,000 GF each year, for a total amount of \$623,776 GF each year, for Jobs for Virginia Graduates, a non-profit organization that assists at-risk and disadvantaged youth in graduating from high school and obtaining employment.
- ***National Board Certification.*** Adds \$215,000 GF in FY 2013, for a total amount of \$5.2 million GF each year, to address growth in the number of teachers who receive grants upon achieving National Board Certification. Adds \$215,000 GF in FY 2014 to level fund the program in the second year. Eligible teachers receive a \$5,000 bonus the first year and \$1,000 for each of the remaining years of the ten year certificate.
- ***Literary Fund Support for School Employee Retirement Contributions.*** Adds \$300,000 GF in FY 2014 to offset the reduction of \$300,000 NGF from the Literary Fund, for a total transfer of \$129.8 million, to pay a portion of school employee retirement contributions.
- ***Tuition Revenue from Virtual Virginia and Summer Governor's Schools.*** Adds \$170,900 NGF in each year for additional tuition revenue from the Virtual Virginia program and \$100,000 NGF each year to reflect anticipated growth in revenue associated with the summer residential Governor's Schools.
- ***Proposed Language Changes.***
 - ***New Instructional Spending Reporting Requirement.*** Requires the Department of Education to include in the annual School Performance Report Card for school divisions the percentage of each division's annual operating budget allocated to instructional costs in a manner that is consistent with the funding of the Standards of Quality.
 - ***Modify Hold Harmless for School Divisions' Consolidations.*** Specifies that when two or more school divisions consolidate, regardless of whether or not it was the result of local government consolidation, that a fifteen-year composite index hold harmless is provided.

Appropriation Summary for the Education Assistance Programs
(\$ in millions)

	<u>FY 2013</u>	<u>FY 2014</u>
Standards of Quality Programs		
Basic Aid (excluding State Fiscal Stabilization Funds)	\$2,906.1	\$2,897.4
Sales Tax	1,202.5	1,243.7
Textbooks (split funded)	25.6	29.4
Vocational Education	51.8	51.8
Gifted Education	32.1	32.3
Special Education	362.6	363.9
Prevention, Intervention, and Remediation	85.2	85.3
VRS Retirement	302.8	304.0
Social Security	181.4	182.1
Group Life	11.4	11.5
Remedial Summer School	<u>22.3</u>	<u>23.1</u>
Total	\$5,183.9	\$5,224.5
Incentive Programs		
Governor's School	\$14.7	\$15.0
Clinical Faculty	0.3	0.3
Career Switcher Mentoring Grants	0.3	0.3
Special Education - Endorsement Program	0.6	0.6
Special Education - Vocational Education	0.2	0.2
Virginia Workplace Readiness Skills Assessment	0.3	0.3
College Ready PSAT Initiative	<u>0.9</u>	<u>0.9</u>
Total	\$17.3	\$17.6
Categorical Programs		
Adult Education	\$1.1	\$1.1
Adult Literacy	2.5	2.5
Virtual Virginia	3.3	3.3
American Indian Treaty Commitment	0.1	0.1
School Lunch	5.8	5.8
Special Education - Homebound	5.4	5.7
Special Education - Jails	3.8	4.1
Special Education - State Operated Programs	<u>\$33.2</u>	<u>35.2</u>
Total	\$55.2	\$57.7

Appropriation Summary for the Education Assistance Programs
(\$ in millions)

	<u>FY 2013</u>	<u>FY 2014</u>
Lottery Funded Programs		
Foster Care	\$9.9	\$10.5
At-Risk	78.5	78.5
Virginia Preschool Initiative	68.2	68.5
Early Intervention Reading	14.2	14.3
Mentor Teacher	1.0	1.0
K-3 Primary Class Size Reduction	81.5	81.6
School Breakfast Program	3.3	3.8
SOL Algebra Readiness	11.3	11.3
Regional Alternative Education	7.8	7.8
Individual Student Alternative Education Plan	2.2	2.2
Special Education - Regional Tuition	72.6	77.7
Career & Technical Education - Categorical	10.4	10.4
Virginia Teacher Corps	0.4	0.4
Race to GED	2.5	2.5
Path to Industry Certification	1.1	1.1
Project Graduation	2.8	2.8
Supplemental Basic Aid	0.9	0.9
English as a Second Language	45.8	47.7
Textbooks (split funded)	<u>35.8</u>	<u>32.2</u>
Total	\$450.3	\$455.0
Technology - VPSA	\$58.3	\$58.1
Supplemental Assistance Programs	\$9.5	\$9.1
(See following table below for individual allocations)		

Supplemental Assistance Programs

	<u>FY 2013</u>	<u>FY 2014</u>
Supplemental Assistance Programs		
Career and Technical Education Resource Center	\$248,021	\$248,021
Jobs for Virginia Graduates	623,776	623,776
Small School Division Assistance	145,896	145,896
Southside Virginia Technology Consortium	58,905	58,905
Southwest Virginia Public Education Consortium	124,011	124,011
Virginia Career Education Foundation	31,003	31,003
Van Gogh Outreach Program	71,849	71,849
Charter School Assistance	100,000	100,000
VA Teacher Scholarship Loan Program	708,000	708,000
National Board Certification Program	5,185,000	5,185,000
Greater Richmond Area Scholarship Program	212,500	212,500
Teacher Recruitment: Preparation Pilot Initiative	300,000	400,000
Teacher Recruitment & Retention: Math & Science	500,000	100,000
Governor's Health Sciences Academies	80,000	0
Youth Development Academy	67,897	67,897
Communities in Schools	<u>1,000,000</u>	<u>1,000,000</u>
Total	\$9,456,858	\$9,076,858

- **Department of Education**

- *Academic Reviews.* Adds \$499,777 GF the first year only for academic reviews of schools that are not fully accredited. For FY 2011-12, which required annual objectives for raising graduation rates for the first time, 70 out of 1,838 schools, about 4 percent, are not fully accredited. A year earlier, only 36 schools were not fully accredited.
- *Performance Evaluation Training.* Adds \$277,000 GF the first year and \$138,500 GF the second year to support the performance evaluation training sessions in each of the eight superintendent regions for teachers, principals, division superintendents, and other personnel in support of the transition to new evaluation models.
- *Create an Innovative Education Technical Advisory Group.* Provides \$100,812 GF each year to support the creation and operation of an Innovative Education Technical Advisory Group to assist new applicants seeking to establish charter, college laboratory, or virtual schools.

- ***Savings Related to Positions.*** Removes \$583,469 GF each year from vacant positions; saves \$271,305 GF each year by transferring GF support for 2.5 positions to nongeneral fund sources; and saves \$130,000 GF each year by eliminating the position that supported the Interstate Compact on Educational Opportunity for Military Children.
- ***Eliminate Support for Virginia Career VIEW Program.*** Eliminates funding of \$296,000 GF each year for Virginia Career VIEW (Vital Information for Education and Work), a web-based career exploration and educational planning system for grades K-8 provided through Virginia Tech.
- ***Other Savings.*** Reduces funding by \$100,000 GF each year by transferring support for the Phonological Awareness Literacy Screening (PALS) and the Algebra Readiness Diagnostic Test (ARDT) to federal special education sources; \$100,000 GF the first year by delaying maintenance and enhancement of the student longitudinal data system; and \$19,358 GF each year by relocating a video recording studio to smaller existing space and using external providers for other video production needs.

- **Secretary of Education**

- ***Eliminate Funding Related to Public Broadcasting.*** Proposes the elimination of \$2.6 million GF each year for educational telecommunications services by public broadcasting, and \$1.0 million GF each year for community service grants for public radio and public television stations.

- **Virginia School for the Deaf and Blind**

- ***O&M of New and Renovated Buildings.*** Adds \$217,488 GF each year and 1.0 position to maintain and operate new and renovated buildings.
- ***Supplant GF with Property Lease Revenue.*** Replaces \$336,081 GF each year with revenue generated by leasing vacant building space to private entities. New language also authorizes the agency to retain income generated by the leasing of vacant facilities.
- ***Direct VITA Savings to the General Fund.*** Captures savings of \$182,671 GF each year generated through a renegotiated information technology agreement with VITA.