

## Public Education

The Governor's proposed amendments to the 2008-10 biennial budget for Direct Aid to Public Education result in a net decrease of \$691.9 million GF and a net decrease of \$6.9 million NGF when compared to Chapter 879, 2008 regular session, for a revised total of \$10,962.4 million GF and \$2,886.8 million NGF for the biennium. The majority of the general fund savings occur in fiscal year 2010. These adjustments are due to: technical and mandated adjustments (attributable to the projected slowing of enrollment growth), a proposed policy change for support positions, elimination of a salary adjustment, and elimination of construction grants.

<b>HB 1600/SB 850</b>			
<b>Proposed Amendments to Direct Aid to Public Education</b>			
(2008-10 biennium, \$ in millions)			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
<b>Technical Updates:</b>			
Correction of Special Education Child Count	\$0.0	\$6.9	\$6.9
2008 Triennial Census Data	0.0	4.6	4.6
Revised Sales Tax Revenue Estimates	(30.0)	(44.2)	(74.2)
(SOQ), Categorical, & Incentive Programs for Enrollment, Participation, & Other Cost Factors	(35.7)	(47.4)	(83.1)
Sales Tax Revenue from Proposed Tax Policy Changes	0.0	9.2	9.2
Reduce Supplemental Assistance Programs	0.0	(0.4)	(0.4)
Closure of State-Operated Facility Units	0.0	(1.9)	(1.9)
Rate Changes for RHCC & Group Life	0.0	(2.7)	(2.7)
Eliminate School Construction Grants	0.0	(27.5)	(27.5)
Adjust Literary Fund Transfers for VRS	(42.5)	(11.9)	(54.4)
Reassign Programs Funded by Lottery Proceeds Fund	0.0	(55.8)	(55.8)
Eliminate 2% Salary Adjustment	0.0	(71.6)	(71.6)
Implement Funding Cap for Support Positions	<u>0.0</u>	<u>(340.9)</u>	<u>(340.9)</u>
<b>Total</b>	<b>(\$108.2)</b>	<b>(\$583.6)</b>	<b>(\$691.8)</b>

- **Direct Aid to Public Education**

- *Technical Changes to Funding.* Includes a net savings of \$65.7 million GF the first year and \$80.2 million GF the second year for technical adjustments to Standards of Quality, Incentive, and Categorical funding due to the following:

- ***Updated Projected ADM.*** Updates the Standards of Quality (SOQ) and Incentive-based programs for an estimated savings of \$31.2 million GF in FY 2009 and \$42.0 million GF in FY 2010 reflecting student enrollment projections based on March 31, 2008 Average Daily Membership (ADM) and September 30, 2008 fall membership student totals. Enrollment is estimated to decrease by 4,717 students in the unadjusted ADM the first year from the projected March 2009 ADM of 1,200,102, and decrease by 4,154 students the second year, from an estimated total of 1,207,692 students in FY 2010.

The updated enrollment impacts funding for the following SOQ accounts: Basic Aid, Textbooks, Vocation Education, Gifted Education, Special Education, Prevention, Intervention and Remedation, VRS Retirement, Social Security and Group Life.

- ***Technical Update for Participation, Special Enrollments, and Test Scores to Incentive, Categorical and Lottery Accounts.*** Reduces funding \$2.0 million GF the first year and \$1.7 million GF the second year based on actual student participation in the current year for certain incentive and categorical programs.
  - ***Incentive Programs Technical Updates.*** The amended budget includes technical updates to the following four programs: Alternative Education, Governor's Schools, Special Education - Regional Tuition and VPSA Technology. Funding is reduced by \$240,434 in FY 2009 and increased by \$236,699 in FY 2010.
  - ***Categorical Programs Technical Updates.*** The amended budget includes technical updates to the following four programs: Special Education - Homebound, Special Education - State Operated Programs, Special Education - Jails, and American Indian Treaty Commitment. Funding is reduced by \$1.7 million in FY 2009 and by \$1.9 million in FY 2010.
  - ***Lottery Programs Technical Updates.*** The amended budget includes technical updates to the following five programs: Remedial Summer School, K-3 Primary Class Size Reduction, Early Reading Intervention, School Breakfast and Foster Care. The savings from the participation updates were added to the revised Additional Support for School Construction and Operating costs account for FY 2009. However, that account was eliminated in FY 2010 in order to fund the six programs that were moved into the Lottery Funded Program section of the budget as well as the proposed new Funding Loss Cap account.
- ***Revised Sales Tax Revenue Estimate and Basic Aid Off-Set.*** The net 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 have been revised downward based on the reforecast of sales tax estimates.

- The revised sales tax revenue estimates are budgeted at \$1,126,230,556 in FY 2009 and \$1,175,149,722 in FY 2010 resulting in a decrease of \$68.5 million and \$80.1 million respectively. However, these amounts are offset by an increase in state funding in the basic aid account of \$38.5 million in FY 2009 and by \$45.1 million in FY 2010.
  - The revised FY 2010 sales tax estimate of \$1.2 million includes \$9.2 million generated from proposed tax policy changes.
- ***Other Technical Adjustments to the SOQ Accounts.*** For FY 2010 the following technical adjustments are proposed: 1) \$6.8 million to cover the cost of correcting the special education student totals for Hanover County school division, 2) an additional \$4.6 million to reflect updates from the 2008 Triennial School Census data of school-aged population.
  - ***Revised Lottery Forecast.*** Revises downward the estimate of projected Lottery Proceeds Fund revenue by \$30.5 million in FY 2009 and by \$30.8 million in FY 2010, resulting in net totals of \$430.5 million and \$430.2 million respectively. The revised total for FY 2009 is inclusive of \$300,000 which was brought forward as an unallocated available balance from FY 2008.
  - ***Policy Change for Lottery Funded Programs.*** Currently, Lottery funds for FY 2009 are distributed directly to school divisions for the following nine programs: Remedial Summer School, Foster Care, Enrollment Loss, At-Risk, VPI, Early Reading Intervention, Mentor Teacher, K-3 Class Size Reduction, School Breakfast, and SOL Algebra Readiness.

After the state's share of the lottery programs are funded, the remaining balance is distributed based on a per pupil basis via the Additional Support for School Construction and Operating Costs account.

For FY 2010, the amended budget proposes two policy changes that reallocate all of the Lottery funds in the Additional Support for School Construction and Operating Costs.

The first policy change reassigns six program accounts previously funded with general funds and to provide a one-time Funding Loss Supplement as a part of the Governor's proposal to cap support positions. These programs are: Alternative Education, ISAEP, Special Education - Regional Tuition, Vocational Education - Categorical, NCLB/ EFAL, and Project Graduation. The budget also reinstates Remedial Summer School and Enrollment Loss accounts back into the general fund. The net effect of this proposal is a \$55.8 million GF savings the second year.

The second policy change would redirect the remaining \$60.9 million for a one-time Funding Loss Supplement as part of the Governor's proposal to cap cost of support positions. The payment would limit the per pupil reduction to a maximum of \$403.90 per pupil in FY 2010.

- ***Support Position Policy Changes.*** The amended budget establishes a funding cap based on the ratio of the total number of funded SOQ support positions relative to the number of funded instructional-based SOQ positions. The cap is based on the ratio of one support position per 4.03 SOQ funded instructional positions. This ratio is based on a linear weighted average of the latest three fiscal years of SOQ recognized instructional and support positions as reported by school divisions on the Annual School Report. By applying the 1 to 4.03 ratio, funding is provided for the affected support positions at a rate of 18.71 positions per 1,000 students in ADM. This position funding level was determined by applying the one support position to a 4.03 instructional position ratio to the estimated 75.39 SOQ instructional positions per 1,000 students in FY 2010. The funding cap is not applied to the following support positions: division superintendent, school board members, school nurses, or school bus drivers. This proposed policy change will save an estimated \$340.9 GF million in FY 2010. Some of the deduction is mitigated by the \$60.9 million GF Funding Loss Supplement.
- ***Remove Salary Compensation Supplement.*** The proposed budget eliminates the 2 percent compensation supplement payment in the adopted budget for instructional and support positions, to be effective July 1, 2009. This action will save a net \$71.6 million GF the second year.
- ***Increase Literary Fund Transfer for Teacher Retirement.*** The amended budget supplants general funds with Literary Funds to support the state share of the cost for teacher retirement by \$42.6 million in FY 2009 (an increase from \$186.1 million to \$228.7 million), and by \$11.9 million, (from \$111.1 million to \$123.0 million) in FY 2010. These actions do not affect division per pupil amounts or projected entitlements for VRS retirement.
- ***Interest Rate Subsidy Program.*** Language in the Governor’s proposed budget authorizes the Virginia Public School Authority to provide approximately \$8.6 million in FY 2009 from the Literary Fund for the interest rate subsidy program for projects on the First Priority Waiting List. For FY 2010, the \$20.0 million approved from the Literary Fund for the interest rate subsidy program is eliminated.
- ***Update Group Life and Retiree Health Care Credit Rates.*** The amended budget proposes lower employer contribution rates in the second year for Group Life from 0.33 percent to 0.27 percent for a \$1.7 million GF savings and for the Retiree Health Care Credit from 1.08 percent to 1.04 percent for a \$1.0 million GF savings.
- ***Eliminate School Construction Grants Program.*** The proposed amended budget eliminates \$27.5 million GF the second year for school construction.
- ***Reduction to State-Operated Programs.*** The proposed budget includes closure of two mental health facilities in FY 2010. The Southwestern Virginia Mental Health Institute’s Adolescent Unit in Smyth County and the Commonwealth Center for Children and Adolescents in Staunton are planned for closure by July 1, 2009. The educational services at the Adolescent Unit and the Commonwealth Center for

Children and Adolescents are provided by Smyth County and Staunton City public schools, respectively. The proposed closures will save an estimated \$1.9 million GF the second year.

- ***Reduction to Supplemental Education Assistance Programs.*** The proposed action in the amended budget reduces funding to the following programs in the second year: Career and Technical Education Resource Center by \$108,210; Jobs for Virginia Graduates by \$135,263; Small School Division Assistance (Norton City school division) by \$54,104; Southside Virginia Technology Consortium by \$25,700; Southwest Virginia Public Education Consortium by \$54,105; Virginia Education Foundation by \$13,52; and the Van Gogh Outreach program by \$13,222.
- ***Proposed Language Changes.*** The amended budget provides school divisions with flexibility to hire full-time specialists and additional teachers using Instructional Technology, Early Reading Intervention, SOL Algebra Readiness, and SOQ Prevention, Intervention, and Remediation funds for related supplemental curriculum assistance to students during the regular school day.
- ***Allow Remaining Funds from FY 2009 to Carry Over to FY 2010.*** The amended budget allows any division that has met its FY 2009 required local effort for the SOQ or required local match for incentive, school construction, or Lottery-funded programs to carry over into FY 2010 any unused state funds.
- ***Provide Flexibility for Use of Lottery and School Construction Escrow Funds in FY 2010.*** The amended budget proposes flexibility for divisions to withdraw funds from local escrow accounts to pay for recurring operational expenses incurred by the division in FY 2010. Localities are not required to provide a local match of the withdrawn funds.
- ***Local Distribution of Remaining Balance, if Any, in the Lottery Proceeds Fund in FY 2010.*** The amended budget proposes to distribute to divisions any balance remaining in the Lottery Proceeds Fund after all accounts that are supported by Lottery funds in FY 2010 have been fully funded. These payments would be calculated based on the state share of the per pupil amount in adjusted March 31 ADM and the FY 2010 balance in the Lottery Proceeds Fund. In order to receive this funding, the local governing body is required to appropriate these funds for expenditures of the school division. Localities are not required to provide a local match to receive these state funds.
- ***The Revised Estimated Funding for FY 2009 and FY 2010 Direct Aid to Public Education, Shown by Locality, is Included as Appendix A and B.***
- **Department of Education (Central Office)**
  - ***Eliminates Civic Education.*** Eliminates funding for Civics Education Commission which administers civics education programs and training to divisions for an \$81,000 GF savings each year.

- ***Reduces Partnership for Achieving Success Schools (PASS).*** Reduces funding for PASS which supports business and community involvement in PASS sponsored schools for a savings of \$65,000 GF each year from the adopted annual allocation of \$274,573.
- ***Reduces VITA Funding.*** Reduces funding in FY 2009 for the VITA comprehensive services bill due to pre-payment of \$497,273, made in FY 2008. A second action further reduces funding needed for VITA by \$25,000 in FY 2009 and by \$50,000 in FY 2010 from decreasing the number of agency computers through increased use of docking station laptops.
- ***Supplant General Funds with Federal Funds.*** A number of actions use a total of \$1.4 million in FY 2009 and \$1.1 million in FY 2010 of federal dollars to supplant general fund allocations:
  - Use of \$308,333 in FY 2009 and \$200,000 in FY 2010 for the academic review process which supports school improvement activities in designated divisions or schools.
  - Use of \$295,488 in FY 2009 and \$200,000 in FY 2010 for the development of the EIMS computer application.
  - Use of \$182,892 in FY 2009 and \$101,395 in FY 2010 for intensive school improvement activities in PASS designated schools.
  - Use of \$143,236 each year for two positions staffing the Schools for Students with Disabilities Fund.
  - Use of \$50,033 each year for the Virginia Teachers Corps program used for program oversight and targeted training grants.
  - Use of \$400,000 each year for four education specialist positions working with the federal career and technical, special education and No Child Left Behind programs.
- ***Variety of Personnel Actions.*** The proposed budget includes a number of personnel reduction actions that saves \$2.2 million GF in FY 2009 and \$2.6 million GF in FY 2010:
  - Eliminate 12 vacant education specialists general fund positions for a savings of \$1.2 million each year.
  - Layoff 11 general fund classified positions for a savings of \$417,083 in FY 2009 and \$935,000 in FY 2010.
  - Reduces funding for wage positions by eliminating positions and reducing hours which saves \$400,000 each year.

- Transfer the Workforce Transition Act (WTA) expenses associated with terminating employees eligible for retirement, in lieu of severance, from the Central Office over to the Virginia Retirement System Fund which saves \$145,235 the first year.
  - Reduce the administrative funding by 50 percent for Governor's Schools, foreign language academies, and SOL revisions process which saves \$63,388 each year.
  - Remove the one-half percent pay practices funding granted to Executive branch agencies in the prior biennium which saves \$58,098 the second year.
- **Virginia Schools for the Deaf and Blind at Staunton**
  - *Three Personnel Adjustments.* The proposed action 1) eliminates five academic support general fund positions for a savings of \$310,426 GF; 2) reduces residential and maintenance staff contract periods from 12 to 9.5 months to save \$40,000 GF the second year; and 3) removes the one-half percent pay practices funding granted to Executive branch agencies in the prior biennium which saves \$22,767 GF the second year.
  - Supplant general fund allocations with annual tuition reimbursements from local school divisions for two support staff positions which saves \$125,916 GF the second year.
  - Increase nongeneral fund appropriation by \$100,000 NGF the second year from a federal special education grant.
  - Increase submission of federal funds for Medicaid reimbursements to defray the costs of psychology and audiology services usually funded by the general fund which generates a savings of \$50,000 GF the second year.
  - Reduce utilities and insurance associated with the planned demolition of the Carter Hall dormitory, increasing campus wide energy efficiencies, and closing the unoccupied superintendent residence for a second year savings of \$137,116 GF.
  - Consolidate two Northern Virginia bus routes into one route for a \$15,746 GF savings the second year.
  - Freeze new student enrollment at the October 9, 2008, total of 132 students for a savings of \$15,746 GF the second year.