

Public Education

| Governor's Proposed Amendments | | | | |
|--|-------------------------|------------------|-------------------------|------------------|
| (\$ in millions) | | | | |
| | FY 2015 Proposed | | FY 2016 Proposed | |
| | <u>GF</u> | <u>NGF</u> | <u>GF</u> | <u>NGF</u> |
| 2014-16 Current Budget (Ch. 3, 2014 Special Session I) | \$5,559.9 | \$1,576.0 | \$5,651.9 | \$1,539.4 |
| Proposed Increases | 1.5 | 8.7 | 5.7 | 8.4 |
| Proposed Decreases | <u>(97.9)</u> | <u>75.5</u> | <u>(48.3)</u> | <u>171.7</u> |
| \$ Net Change | (96.4) | 84.2 | (42.6) | 180.1 |
| HB 1400/SB 800, as Introduced | \$5,463.4 | \$1,660.3 | \$5,609.3 | \$1,719.5 |
| % Change | (1.7%) | 5.3% | (0.8%) | 11.7% |

- **Direct Aid to Public Education**

- *Listings by locality of the estimated funding for FY 2015 and FY 2016 Direct Aid to Public Education are included as Appendix A and B, respectively.*

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

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>Total</u> |
|---|-----------------|-----------------|------------------|
| <u>Technical Update Changes:</u> | | | |
| <i>Reflect Chapter 3 Adjustments from Reversion Account:</i> | | | |
| Offset GF with Additional NGF Lottery Proceeds | (\$28.1) | \$0.0 | (\$28.1) |
| Offset GF with Additional NGF Literary Fund Revenue | <u>(15.0)</u> | <u>0.0</u> | <u>(15.0)</u> |
| Subtotal for Chapter 3 Changes | (\$43.1) | \$0.0 | (\$43.1) |
| <i>Reflect Introduced Budget (HB 1400/SB 800) Adjustments:</i> | | | |
| Update Net Sales Tax Revenue Re-distributions from Census | \$0.0 | \$1.6 | \$1.6 |
| Correct Data and Calculation Errors | 0.7 | 0.0 | 0.7 |
| Update Incentive Programs | (0.5) | (0.1) | (0.6) |
| Update Categorical Programs | (1.3) | (0.7) | (2.0) |
| Update Net Sales Tax Revenue Reforecast Estimate | (2.4) | (3.6) | (6.0) |
| Update Student Enrollments | (6.4) | (7.8) | (14.2) |
| Update GF for Changes in Lottery-funded Programs | (12.2) | (4.1) | (16.3) |
| Update GF for Additional Lottery Revenue Reforecast Estimate | (7.5) | (21.6) | (29.1) |
| Transfer \$250.0 million in Unclaimed Property to Literary Fund: | | | |
| Re-calculate VRS Rate Based on \$150.0 million Reduction in Liability | 0.0 | (10.4) | (10.4) |
| Offset \$25.0 million GF SOQ Retirement Costs | (25.0) | 0.0 | (25.0) |
| Allocate \$50.0 million to School Construction Loans | NGF | NGF | NGF |
| Allocate \$25.0 million to Interest Rate Subsidy Grants | <u>NGF</u> | <u>NGF</u> | <u>NGF</u> |
| Subtotal for Introduced Budget (HB 1400/SB 800) Adjustments | (\$54.6) | (\$46.7) | (\$101.3) |
| Subtotal for All Technical Updates | (\$97.7) | (\$46.7) | (\$144.4) |
| <u>New Initiatives/Policy Changes:</u> | | | |
| New School "Breakfast After the Bell" Initiative | \$0.0 | \$0.5 | \$0.5 |
| Backfill Drivers' Ed. Rev. from Decreased DMV License Fees | <u>1.3</u> | <u>1.4</u> | <u>2.7</u> |
| Subtotal for All New Initiatives/Policy Changes | \$1.3 | \$1.9 | \$3.2 |
| Grand Total for All Proposed Changes | (\$96.4) | (\$44.8) | (\$141.2) |

Summary of Proposed Revenues for Direct Aid to Education

(\$ in millions)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>Biennium</u> |
|--|------------------|------------------|-------------------|
| General Fund | \$5,402.2 | \$5,545.7 | \$10,947.9 |
| Special Fund | 0.9 | 0.9 | 1.8 |
| Commonwealth Transportation | 0.9 | 0.8 | 1.7 |
| Trust & Agency (Lottery & Literary) | 743.8 | 803.1 | 1,546.9 |
| Federal Trust | <u>870.9</u> | <u>870.9</u> | <u>1,741.8</u> |
| Grand Total for all Revenue Sources | \$7,018.7 | \$7,221.4 | \$14,240.1 |

- ***Recognize Increases in Lottery Proceeds NGF Forecast.*** Distributes \$28.1 million the first year from the reversion account created in Chapter 3 of the 2014 Acts of Assembly, Special Session I, to Direct Aid to Public Education by replacing general fund spending with additional revenues in the Lottery Proceeds Fund. The introduced budget further adjusts funding to reflect the latest Lottery Proceeds forecast, with additional revenues of \$4.5 million in FY 2015 and \$21.7 million in FY 2016. The FY 2015 adjustment also includes \$3.0 million in Lottery fund balances remaining at the end of FY 2014. The amended budget reflect a new total lottery revenue of \$560.6 million in FY 2015 and \$531.7 million in FY 2016.

See Appropriation Summary Table below for the List of Programs Funded with Lottery Proceeds.

- ***Increases to Literary Fund.*** Reflects the transfer of \$15.0 million the first year in revenues from additional Literary Fund Proceeds from the reversion account created in Chapter 3 to Direct Aid to Public Education and replaces general fund spending with the additional revenues in the Literary Fund for teacher retirement costs.

In addition, the Treasury Department estimates a realization of \$250.0 million the second year from the sale of old unclaimed property stocks that can be made available for the use of the Literary Fund, along with its other routine revenue sources. The additional revenues are proposed to be allocated as follows:

- A one-time payment of \$150.0 million to VRS to help address the unfunded liability of approximately \$506.1 million. In turn, captures teacher retirement fund savings generated by the application of a lower teacher retirement employer contribution rate of 14.15 percent, down from 14.50 percent. The

remaining liability balance is then re-amortized over the remaining six-year amortization period to produce a general fund savings amount of \$10.4 million the second year. The revised lower VRS rate will also reduce school divisions' payments for retirement costs.

- The amended budget reflects a net total Literary Fund revenue allocated for teacher retirement costs of: \$182.9 million in FY 2015, which is an increase from the \$142.9 million in Chapter 2 of the 2014 Acts of Assembly, Special Session I; and \$121.0 million in FY 2016, which is a slight decrease from \$121.2 million in Chapter 2.
 - \$50.0 million for VPSA school construction loans that will be repaid to the Fund over the 20-year term of the loans. These loans will help address those projects that are on the Literary Fund First Priority Waiting List. Also, the issuances of new loans will increase the asset base of the Literary Fund, which must be at least \$80.0 million as mandated by the Virginia Constitution.
 - \$25.0 million for “interest rate subsidy” buy-down grants in lieu of loans.
 - \$25.0 million to offset general fund costs for SOQ retirement.
- ***Update Sales Tax.*** Adds a net of \$1.6 million GF the second year due to the updates in funding for the Standards of Quality accounts the second year based on the latest yearly estimate of school-age population provided by the Weldon Cooper Center for Public Service at the University of Virginia. The July 1, 2012, school-age population estimates will be used for the first year sales tax revenue distributions and July 1, 2013, estimates will be used for the second year. These changes in sales tax revenue distributions, in turn, impact the remaining balance of the SOQ costs that are split between the state and divisions.

The sales tax revenue from the one cent portion and the additional one-eighth cent from the Public Education SOQ/Real Estate Property Tax Relief Fund that are dedicated for public education, is distributed to school divisions based on school aged population and is allocated towards total SOQ cost prior to allocating the remaining SOQ cost between the state and local shares based on Composite Index of local ability-to-pay.

Also, proposed actions adjust funding for local school divisions based on the latest sales tax projections provided by the Department of Taxation. The amounts represent the net change in state funding, as required by the Basic Aid formula. The revised estimates equal \$1,267.1 million the first year and \$1,309.4 million the second year, which reflect decreases of \$5.5 million and \$8.2 million respectively. Consequently, the decreased sales tax revenues have to be backfilled with

additional general funds for SOQ Basic Aid payments. The state's share of Basic Aid costs are about \$3.1 million the first year and \$4.6 million the second year: the net change in state funding to school divisions is a decrease of \$2.4 million and \$3.6 million respectively.

- ***Update Enrollments, Incentive, Categorical, and Lottery-Funded Programs.*** Captures \$6.6 million GF the first year and \$8.3 million GF the second year due to the update of Standards of Quality accounts based on slower than projected growth in fall membership and March 31st average daily membership. On a statewide basis, the revised ADM projections are 1,741 students lower the first year and 2,214 lower the second year. However, actual Remedial Summer School enrollment for 2014 reflects a slight increase and nets an increase of \$156,483 GF the first year and \$542,338 GF the second year.

Biennial costs for Incentive, Categorical, and Lottery-Funded programs reflect net savings due to participation or other data include:

Incentive Programs: Governor's Schools (\$215,698) based on lower enrollments; math/reading instructional specialists (\$136,697); early reading specialists (\$239,067) based on fewer schools participating; the VPSA technology distributions based on September 30, 2015 membership and 2014-15 accreditation status; payments.

Categorical Programs: special education state operated programs (\$1,473,479) based on actual payments from FY 2014 and estimated for FY 2015, special education homebound (\$447,837) based on the state's actual share of local program costs in FY 2015, and special education jails (\$69,895) based on actual payments from FY 2014 and estimated for FY 2015

Lottery-Funded Programs: English as a Second Language \$1,971,380; foster care (\$1,489,973); Virginia Preschool Initiative (\$3,739,077); early intervention reading (\$341,938); K-3 primary class size reduction (\$4,999,109); school breakfast (\$1,367,183); and regional special education (\$6,996,524). New Initiatives and Policy Changes

- ***School "Breakfast After the Bell".*** Proposes \$537,297 GF the second year to school divisions for innovative methods of serving breakfasts to unserved or underserved children. The funding would provide an additional \$0.05 state reimbursement per breakfast and is estimated based on 25 percent of actual breakfasts served in FY 2014.
- ***Backfill Drivers' Education Revenue from Registrations.*** Proposes backfilling for two years, the loss in revenue from driver's license renewal fees with \$1.3 million GF the first year and \$1.4 million GF the second year due to the extension of the

validity of a license from five years to eight years renewal cycle. A portion of the fee (\$1.50 per license) from either new or renewed driver's licenses is earmarked to support the cost of driver education programs.

Proposed Language Changes Include

- ***Use of Available and Unused Virginia Preschool Initiative Student Slots.*** Authorizing the use of any unused but appropriated funds for Virginia Preschool Initiative for at-risk four-year-olds to school divisions that have used 100 percent of their state allocated slots and also have waiting lists beginning the second year (instead of sweeping end-of-year balances that may exist even after assumed non-participation). The number of slots allocated under this provision will be determined using the balance of the number of slots estimated to calculate the FY 2016 appropriation and the number of actual slots to be used for FY 2016 as reported on the May 15th Pre-K grant proposals submitted by school divisions.
- ***Expanded Use of Funds from Year-Round School Grants.*** Provides flexibility to DOE for grant funding that is not awarded to school divisions for year-round schools. In the second year, DOE may award grants to school divisions to support innovative approaches to instructional delivery or school governance models from balances not used for year-round school grants.

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

| | <u>FY 2015</u> | <u>FY 2016</u> |
|---|------------------|------------------|
| Standards of Quality Programs | | |
| Basic Aid | \$3,094.0 | \$3,084.8 |
| Sales Tax | 1,267.1 | 1,309.4 |
| Textbooks (split funded with Lottery Proceeds) | 0.0 | 24.7 |
| Vocational Education | 50.9 | 50.8 |
| Gifted Education | 33.2 | 33.3 |
| Special Education | 368.2 | 369.5 |
| Prevention, Intervention, and Remediation | 100.7 | 100.9 |
| Remedial Summer School (split funded) | 3.3 | 27.1 |
| VRS Retirement | 380.4 | 373.1 |
| Social Security | 187.0 | 187.6 |
| Group Life | <u>11.8</u> | <u>11.8</u> |
| Total | \$5,496.5 | \$5,573.2 |
| Incentive Programs | | |
| Governor's School - Academic & Summer | \$15.6 | \$15.8 |
| Governor's School - Planning & Start-up/Expansion | 0.0 | 0.1 |
| Governor's School - CTE | 0.1 | 0.0 |
| 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 |
| Math/Reading Instructional Specialists | 1.7 | 1.8 |
| Early Reading Specialists Initiative | 1.2 | 1.5 |
| Shared Services Agreement-Chesterfield/Petersburg | 0.0 | 0.6 |
| FY 2014 Payment Revisions | 0.7 | 0.0 |
| "Breakfast After the Bell" Incentive | <u>0.0</u> | <u>0.5</u> |
| Total | \$21.0 | \$22.1 |
| Categorical Programs | | |
| Adult Education | \$1.1 | \$1.1 |
| Adult Literacy | 2.5 | 2.5 |
| Virtual Virginia | 4.3 | 4.3 |
| American Indian Treaty Commitment | 0.1 | 0.1 |
| School Lunch | 5.8 | 5.8 |

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

| | <u>FY 2015</u> | <u>FY 2016</u> |
|---|----------------|----------------|
| Special Education – Homebound | 5.4 | 5.5 |
| Special Education – Jails | 3.5 | 3.7 |
| Special Education – State Operated Programs | <u>32.8</u> | <u>33.7</u> |
| Total | \$55.4 | \$56.7 |

Lottery Funded Programs

| | | |
|---|----------------|----------------|
| Foster Care | \$8.7 | \$8.8 |
| At-Risk | 89.6 | 89.6 |
| Virginia Preschool Initiative | 68.3 | 74.9 |
| Early Intervention Reading | 17.7 | 17.8 |
| Mentor Teacher | 1.0 | 1.0 |
| K-3 Primary Class Size Reduction | 113.7 | 117.7 |
| School Breakfast Program | 3.5 | 3.9 |
| SOL Algebra Readiness | 12.1 | 12.2 |
| Regional Alternative Education | 8.1 | 8.1 |
| Individual Student Alternative Education Plan | 2.2 | 2.2 |
| Special Education – Regional Tuition | 79.5 | 84.2 |
| Career & Technical Education – Categorical | 10.4 | 10.4 |
| Project Graduation | 2.8 | 2.8 |
| Virginia Teacher Corps (NCLB/EFAL) | 0.4 | 0.4 |
| Race to GED (NCLB/EFAL) | 2.4 | 2.4 |
| Path to Industry Certification (NCLB/EFAL) | 1.3 | 1.3 |
| Supplemental Basic Aid | 0.9 | 0.9 |
| English as a Second Language | 49.4 | 50.9 |
| Textbooks (Split Funded with GF) | 66.6 | 42.1 |
| Remedial Summer School (split funded) | <u>22.0</u> | <u>0.0</u> |
| Total | \$560.6 | \$531.7 |

| | | |
|--|---------------|---------------|
| Technology - VPSA | \$66.6 | \$71.2 |
| Security Equipment - VPSA | 6.0 | 6.0 |
| Special One-Time Payment to Teacher Retirement Fund | 0.0 | 150.0 |

| | | |
|---|---------------|---------------|
| Supplemental Assistance Programs | \$14.3 | \$16.8 |
| (See the following table for individual allocations.) | | |

Supplemental Assistance Programs

| | <u>FY 2015</u> | <u>FY 2016</u> |
|---|--------------------|--------------------|
| Supplemental Assistance Programs | | |
| Achievable Dream | \$0 | \$500,000 |
| Career and Technical Education Resource Center | 298,021 | 298,021 |
| Charter School Grants | 100,000 | 100,000 |
| Early Childhood STEM | 0 | 325,000 |
| Extended School Year | 1,000,000 | 2,400,000 |
| Communities in Schools | 794,400 | 794,400 |
| Positive Behavior Intervention | 598,000 | 598,000 |
| Greater Richmond Area Scholarship Program | 212,500 | 400,000 |
| Jobs for Virginia Graduates | 373,776 | 573,776 |
| National Board Certification Teacher Bonuses | 5,885,000 | 5,885,000 |
| Project Discovery | 700,000 | 700,000 |
| 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 |
| Teach for America | 500,000 | 500,000 |
| Teacher Recruitment & Retention: Math/Science | 808,000 | 808,000 |
| Teacher Recruitment: Preparation Initiative Pilot | 400,000 | 400,000 |
| Van Gogh Outreach Program | 71,849 | 71,849 |
| Virginia Career Education Foundation | 31,003 | 31,003 |
| Virginia STEAM Feasibility Planning Grant | 100,000 | 0 |
| Virginia Student Training & Refurbishment Program | 225,000 | 250,000 |
| Virginia Teacher Scholarship Loan Program | 708,000 | 708,000 |
| Youth Development Academies | <u>543,176</u> | <u>543,176</u> |
| Total | \$9,982,652 | \$9,693,177 |

- **Department of Education**

- *Principal Training.* Proposes \$713,000 GF the second year to establish a program of professional development to increase the capacity of principals in underperforming schools. The funding amount is intended to cover training for forty principals at underperforming schools which have failed to meet accreditation standards. Interested principals will be required to apply through an application process.

- ***Expedited Retakes.*** Proposes \$200,000 GF the second year to permit students in grades three through eight who have failed a Standards of Learning (SOL) test by a narrow margin to take the test again during the same testing window. Currently, such expedited retakes are only allowed for end-of-course SOL tests that are required for graduation.
- ***Computer Adaptive Testing.*** Proposes providing \$732,000 GF the second year in one-time funds to transition the grade seven and grade eight Standards of Learning mathematics tests to a computer adaptive testing (CAT) format. Currently, only the grade six mathematics assessment is available in a CAT format.
- ***New Positions.*** Proposes adding \$572,976 GF the second year for 5 additional positions to strengthen the Department's support of academically struggling school divisions.
- ***Central Account Reduction: Eliminate Digital Content Contract.*** Proposes saving \$500,000 GF the second year by eliminating contract funding for the development of digital content and online resources for school divisions.
- ***Central Account Reduction: Eliminate Center for Excellence in Teaching.*** Proposes saving \$220,191 GF the second year by eliminating contract funding for the new Virginia Center for Excellence in Teaching, which is located at George Mason University.
- ***Central Account Reduction: Eliminate Funds for Education Commission of the States Dues.*** Proposes saving \$91,800 GF the second year by eliminating funding for Virginia's annual membership fee to the Education Commission of the States.
- ***Other Central Account Reductions.*** Applies the FY 2014 pledged balance of \$1.2 million towards the FY 2015 reduction target and proposes the following savings the second year: \$204,584 GF for local training on positive behavior strategies; \$100,000 GF for alternative career paths, and seed grants for Governor's STEM Academies or Governor's Health Science Academies; and \$69,250 by reducing by half funds for training localities in the Board of Education's required performance evaluation models.
- ***Language.*** Proposes to expand the scope of information technology academy funding by authorizing its use for additional information technology credentials.
- **Virginia School for the Deaf and Blind**
 - ***Central Account Reductions.*** None taken.