

## Public Education

<b>Adopted Adjustments</b> (\$ in millions)				
	<b>FY 2017 Adopted</b>		<b>FY 2018 Adopted</b>	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2016-18 Base Budget, Ch. 665	\$5,560.3	\$1,778.9	\$5,560.3	\$1,778.9
Increases	370.8	20.3	668.9	(10.0)
Decreases	<u>(92.1)</u>	<u>(182.2)</u>	<u>(97.3)</u>	<u>(182.2)</u>
\$ Net Change	278.6	(161.9)	571.6	(192.2)
<b>Chapter 780 (HB 30, as Adopted)</b>	<b>\$5,838.9</b>	<b>\$1,617.0</b>	<b>\$6,131.9</b>	<b>\$1,586.7</b>
% Change	5.0%	(9.1)%	10.3%	(10.8)%

- **Direct Aid to Public Education**

- *A listing by locality of the estimated funding for FY 2017 and FY 2018 Direct Aid to Public Education is included as Appendix A and B, respectively.*
- *For a separate Supplemental Table for FY 2017 and FY 2018 that reflects significant key rebenchmarking detail, see Appendix C and D, respectively, of the summary of the introduced budget, dated January 12, 2016.*

## Summary of Adopted Actions for Direct Aid to Education

(GF \$ in millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
<b><u>Rebenchmarking Updates:</u></b>			
Update Prevailing Salaries & Other Personal-Related Data	\$97.3	\$97.8	\$195.1
Update Federal Revenue Deduct Per Pupil Amount	26.8	26.9	53.7
Update Incentive, Categorical, and Lottery Accounts	22.3	27.8	50.1
Update Other Student Enrollment Projections	11.3	35.4	46.7
Update Health Care Premium Cost	21.2	21.4	42.6
Update SOL Failure Rates, Student Free Lunch Eligibility	10.6	10.7	21.3
Reset SOQ Model Base Data	9.7	9.8	19.5
Update Other Non-personal (Textbooks, Transp., Inflation)	(7.9)	(8.0)	(15.9)
Update Support Position Ratio	<u>(12.6)</u>	<u>(12.7)</u>	<u>(25.3)</u>
<b>Subtotal (as of September 2015)</b>	<b>\$178.7</b>	<b>\$209.1</b>	<b>\$387.8</b>
Update Projected Sales Tax Revenue and School-aged Pop.	\$32.7	\$54.7	\$87.4
Update Composite Index	25.2	25.3	50.5
Update VRS, RHCC, GL Rates (to 90%, per schedule)	15.9	15.9	31.8
Update CEP Schools for 2013 Free Lunch Percent (policy change)	8.4	8.5	16.9
Update Prev, Interv, Remed for Revised SOL Failure Rates	4.2	4.3	8.5
Other Updates	0.5	2.0	2.5
Update Non-personal Supp. Inflation Factors to Oct 2015	(4.6)	(4.7)	(9.3)
Update Lottery Rev Forecast & Funded Program Accts	(14.0)	(14.4)	(28.4)
Update for Pre-K Non-participation @ 25.43% (policy change)**	(24.3)	(24.4)	(48.7)
Update ADM (for Fall Membership), ESL, Rem. Summer School	(32.3)	(36.9)	(69.2)
Technical Updates During Session – Data Corrections from LEAs & DOE	<u>(9.5)</u>	<u>(9.5)</u>	<u>(19.0)</u>
Technical Updates During Session – Mid-Year Sales Tax Reforecast	<u>(4.8)</u>	<u>(4.8)</u>	<u>(9.6)</u>
Technical Updates During Session – VPSA 2016 Spring Issuance	<u>(1.1)</u>	<u>(1.1)</u>	<u>(2.2)</u>
<b>Subtotal (Other Updates)</b>	<b><u>(\$3.7)</u></b>	<b><u>\$14.9</u></b>	<b><u>\$11.2</u></b>
<b>Subtotal for All Rebenchmarking Updates</b>	<b>\$175.0</b>	<b>\$224.0</b>	<b>\$399.0</b>
<b><u>Policy Changes:</u></b>			
Supplemental Lottery Per Pupil Allocation	\$16.3	\$157.2	\$173.5
State's Share of 2% Compensation Increase (effective Dec. 1, 2016)	49.0	85.3	134.3
Advance VRS Rates* to 100% of Board's Actuarial Rates	1.7	55.1	56.8
Incr. At-Risk Add-On Range to 13%, BOE Authority to Withhold	7.1	7.1	14.2
Cost of Competing Adjustment for Support @ 10.60%	17.0	17.4	34.4
Reduce Literary Fund Revenue for Retirement Costs	0.0	10.0	10.0
Gov.'s Sch Incr. Tuition 2.5% & \$50/Course/Student; Incr Cap by 75	1.5	1.8	3.3
Career and Technical Credentialing and Equipment	2.5	2.5	5.0
VECF - Early Childhood Workforce Scholarships & Coursework	0.6	1.0	1.6
VECF - Early Childhood Pre-K Public-Private Partnerships	1.5	1.5	3.0
Incr. VA Preschool Initiative PPA from \$6,000 to \$6,125	1.4	1.5	2.9
Competitive Grants for Alternative Teacher Compensation	0.0	2.1	2.1

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
<b><u>Policy Changes:</u></b> <i>(cont'd)</i>			
Expand F/T High School Pilot & Add Virtual VA Math Outreach	0.8	0.8	1.6
STEM 4 <sup>th</sup> -7 <sup>th</sup> Gr. Prog. & Research Study – VA Air & Space Cntr.	0.9	0.7	1.6
Computer Science Training for Teachers	0.5	0.5	1.0
Increase Breakfast After the Bell Initiative	0.5	0.5	1.0
Expand Positive Behavioral Intervention and Supports	0.5	0.5	1.0
Additional 5 Teachers – Special Education SOP	0.3	0.4	0.7
New Initiatives: Petersburg Recruit. Incen., STEM Comp. Teams, Newport News Aviation Acad.	0.6	0.6	1.2
New Initiatives: Roanoke Valley CTE Gov Sch, Va Reading Corps	0.4	0.3	0.7
Net New Sales Tax Adjustment – Chapter 303 (SB 444)	0.2	0.3	0.5
Eliminate: Youth Dev Acad., Va Career Educ Found, STEAM, Other Gov Sch Plng & Other Adjustments	<u>0.9</u>	<u>(0.8)</u>	<u>(1.5)</u>
<b>Subtotal for Policy Changes</b>	<b>\$103.6</b>	<b>\$347.6</b>	<b>\$451.2</b>
<b>Total</b>	<b>\$278.6</b>	<b>\$571.6</b>	<b>\$850.2</b>

\* Includes VRS, Group Life, and Retiree Health Care Credit Rates: see the Funded VRS Fringe Benefits Rates section for specific rate changes.

\*\* Although the introduced budget reflected the Pre-K non-participation savings as a part of the rebenchmarking process, prior rebenchmarking cycles have reflected it as a policy decision.

**Summary of Adopted Resources for Direct Aid to Education**  
(\$ in millions)

	<i>CH 665</i>	<i>Chapter 780 of the 2016 Acts of Assembly (HB 30)</i>		
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Biennium</u>
General Fund	\$5,560.3	\$5,838.9	\$6,131.9	\$11,970.8
Special Fund	0.9	0.9	0.9	1.8
Commonwealth Transportation	0.8	0.8	0.8	1.6
Trust & Agency (Lottery & Literary)				
Lottery Proceeds Fund	531.7	561.5	541.2	1,102.7
Literary Fund*	358.5	166.7	156.7	323.4
Federal Trust	<u>887.1</u>	<u>887.1</u>	<u>887.1</u>	<u>1,774.2</u>
<b>Grand Total for all Resources</b>	<b>\$7,339.2</b>	<b>\$7,455.9</b>	<b>\$7,718.6</b>	<b>\$15,174.5</b>

\*Reflects \$192.9 million NGF for the one-time VRS payment in FY 2016.

- **State's Share of Biennial Rebenchmarking.** Preliminary rebenchmarking calculation costs by the Department of Education as of September 2015 were \$178.7 million GF in FY 2017 and \$209.1 million GF in FY 2018, which totaled \$387.8 million GF for the biennium.

The Governor's introduced budget for FY 2016-18 included updating the remaining rebenchmarking data steps, which added an additional net \$42.0 million GF over the two years, for a total net rebenchmarking amount of \$429.8 million GF for the biennium. However, additional technical updates during the 2016 Session revised the figure to \$399.0 million GF.

- **Projected Enrollments.** Reflects student enrollment projections estimated to total 1,245,710 in the unadjusted ADM in FY 2017, and 1,252,626 students in FY 2018, up from 1,244,215 for FY 2016 in Chapter 665 of the 2015 Acts of Assembly. However for comparison, the updated projection for FY 2016 in the caboose bill, Chapter 732 of the 2016 Acts of Assembly (HB 29), is now 1,239,594 which reflects a decrease of 4,621 students.
- **Funded Instructional Salaries.** Reflects updated funded salary levels from 2014-16 to 2016-18 due to base year (FY 2014) statewide prevailing salary adjustments and reflects the statewide prevailing average salaries and the state's 1.5 percent salary incentive supplement for FY 2016.

<b>Instructional Positions</b>	<b>2014-16 Funded Salary</b>	<b>2016-18 Funded Salary</b>	<b>Percent Change</b>
<b>Teachers</b>			
Elementary	\$45,822	\$47,822	3.0%
Secondary	\$48,125	\$49,744	3.4%
<b>Assistant Principals</b>			
Elementary	\$65,037	\$67,119	3.2%
Secondary	\$68,863	\$72,057	4.6%
<b>Principals</b>			
Elementary	\$79,796	\$62,846	3.8%
Secondary	\$87,954	\$92,041	4.6%
<b>Instructional Aides</b>	\$16,613	\$17,108	3.0%

- **Health Care Premiums.** Reflects prevailing costs associated with the health care premium rate of \$4,604 per funded position (adjusted for actual participation of 66.53 percent and then subsequently up by 1.90 percent for inflation), which is up from the adjusted \$4,188 per funded position in the current FY 2016 budget. Prior to adjustment for the true participation and then inflation, the health care premium rate is \$6,778, up from \$6,288 in the 2014-16 biennial budget.
- **Funded VRS Fringe Benefit Rates.** As a technical adjustment, moves funding to 90 percent of the full VRS Board approved rate, in keeping with the six-year phase-in schedule as required in Chapter 823 of the 2012 Acts of Assembly reform legislation and shown in the table below. This update increases the employer rate changes for teacher retirement from 14.06 percent to 14.66 percent, retiree health care credit from 1.06 percent to 1.11 percent, and decreases the group life from 0.48 percent to 0.47 percent. This adjustment also includes a reduction from 9.40 percent to 7.11 percent in the employer rate for retirement contributions paid on behalf of non-professional support positions.

*Note: In a subsequent amendment, additional funding is provided to advance the rates to 100 percent of the Board's actuarial rates in FY 2018.*

<u>Adopted Schedule</u>	<u>FY13-14</u>	<u>FY15-16</u>	<u>FY17-18</u>	<u>FY19-20</u>
Teacher Phase-in Percentage Rate	70%	80%	90%	100%

- **Base Year Expenditures.** Reflects various adjustments including base year (FY 2014) 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, as reported by localities, of \$110.05 (up from \$107.22 when adjusted for 2.64 percent inflation), compared with the funded amount of \$96.22 for FY 2016 in Chapter 665.
- **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 \$9.6 million NGF each year and saves a like amount of general funds each year.

Also captures savings of \$24.3 million NGF in FY 2017 and \$24.4 million NGF in FY 2018 in the Virginia Preschool Initiative based on a non-participation rate of 25.43 percent, the rate included in Chapter 665 for FY 2016. This action saves a like amount of general fund each year.

*Note: In previous rebenchmarking cycles, the nonparticipation savings was considered a policy change. To be consistent, this action should be reflected as a policy decision. Further note that, the adopted budget removes language related to continuation of providing hold harmless slots at the FY 2016 total, since no additional funding is provided. The hold harmless slots and related funding were originally adopted in the FY 2012-14 budget (Chapter 3 of the 2012 Special Session I Acts of Assembly) and intended as only a two-year temporary transitional funding to accompany the revised Pre-K funding formula.*

- **Update Composite Index of Local Ability to Pay (LCI).** The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2011 to 2013, which are the most current available at the time the LCI 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 then weighted two-thirds by ADM and one-third by population.

The revised index rose for 36 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs), and declined for 89 school divisions (decreasing the locality's share of SOQ costs). The composite index was unchanged for two divisions and eight others that are still capped at 0.8000.

- **Projected Sales Tax Revenue.** Based on the mid-year forecast, the sales tax revenues from the one cent portion, along with 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 \$1,322.3 million GF in Chapter 665 for FY 2016 to \$1,382.3 million GF in FY 2017 and \$1,432.3 million GF in FY 2018. The sales tax revenue increases generate about 55 percent offsetting statewide savings in the state's share of SOQ Basic Aid funding. However, the actual offsetting amount depends on each division's composite index.

<b>Sales Tax</b> (\$ in millions)			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Chapter 665 Sales Tax Total	\$1,322.3		
Sales Tax Revenues Changes		60.0	110.0
<b>Revised Sales Tax Revenues</b>		<b>\$1,382.3</b>	<b>\$1,432.3</b>
Basic Aid Offset Adjustment		(\$33.5)	(\$61.5)
Net Total Funding Impact		\$26.5	\$48.5

- ***Update Sales Tax Distribution for School Age Population.*** Adds \$1.4 million GF each year to reflect the updates to the sales tax distribution to local school divisions which are now based on the July 1, 2014, estimate of school age population. Changes in the school-age population directly impact the remaining educational cost that is split between the state and each of the school divisions based on the LCI.
- ***Add New Free Lunch Percentage Calculation Methodology for Community Eligible Program (CEP) Schools and Divisions.*** Adds \$8.4 million GF in FY 2017 and \$8.5 million GF in FY 2018 for a new funding methodology for those schools and divisions that are choosing to participate in the federal CEP school breakfast and lunch reimbursement program.

Prior to school divisions electing to participate in this federal program, the rebenchmarking process used an average of the three most current years of free lunch percentages reported by the school divisions for a number of funding formula calculations.

Consequent to volunteering to participate in CEP, these schools and divisions are prohibited from collecting income eligibility data from families of students attending one of the participating schools and subsequently cannot accurately account for the true percentage of students that would be eligible for free or reduced meals. Due to the federal program's constraints, the participating CEP schools and divisions artificially report to DOE a free lunch eligibility percentage of 100 percent.

The federal CEP program provides 100 percent reimbursement for the cost of breakfast and lunch meals served to students. Currently, 26 out of the 135 divisions are participating in CEP. These schools and divisions are also receiving state reimbursement funding for those meals served.

*Note: For 2016-18, for CEP divisions and schools, the latest available actual free lunch eligible percentages were used. Although DOE has included this calculation in the rebenchmarking process, the change merits consideration as a policy change decision because it is not a part of the regular routine and process for rebenchmarking. The adopted budget includes language clarifying the date reference.*

- ***Remove Funding for One-time VRS Payment.*** This technical rebenchmarking adjustment removes \$192.9 million NGF from the appropriation which supported a one-time payment to the Virginia Retirement System in Chapter 665. The payment reduced the outstanding deferred contribution balance for Virginia's teachers from \$506.1 million to \$313.2 million. The Deferred Contribution Payback for the teacher plan is scheduled to repay the remaining balance by June 30, 2021.
- ***Educational Technology Debt Service Payments.*** Captures \$1.1 million GF each year due to the revised final FY 2016 (Spring 2016) issuance for VPSA educational technology grants from the Literary Fund. The 'freed up' Literary Fund revenues are allocated to pay an additional portion of the teacher retirement costs.

– ***Policy Changes and Program / Initiative Changes.***

- ***Supplemental Lottery Per Pupil Allocations.*** Provides \$16.3 million GF the first year and \$157.2 million GF the second year to support reinstating the Lottery Proceeds Fund per pupil amount allocation going to school divisions. The funding is based on the state's share of an estimated \$52.42 per pupil in the first year and \$224.43 per pupil in the second year. No locality shall be required to maintain a per pupil expenditure each year from local funds which is greater than the per pupil amount expended by the locality for such purposes in the year upon which the 2016-18 biennial SOQ expenditure data was based. At least 50 percent of the funds must be spent on non-recurring expenditures and up to 50 percent may be spent on recurring expenses.
- ***Lottery Proceeds Fund Carry-forward.*** Adds an additional \$20.3 million NGF in FY 2017 from expected carry-forward Lottery Proceeds revenue from the prior fiscal year. This additional revenue is added to the \$16.3 million GF in the first year to provide a total of \$36.6 million NGF for the Lottery PPA total allocation.



- ***State's Share of 2 Percent Salary Increase.*** Provides \$49.0 million GF in FY 2017 and \$85.3 million GF in FY 2018 for the state's share of a 2 percent salary increase for instructional and support positions recognized and funded by the Standards of Quality (SOQ) funding model. Included in these totals are \$103,041 GF the first year and \$357,852 GF the second year to provide a 2 percent salary incentive to the Academic Year Governor's Schools. The state funding and local match requirement are calculated based on an effective date of December 1, 2016. School divisions are prohibited from using the additional funding to offset the cost of any remaining required VRS rate contributions transferred to employees.

*Note: This funding is contingent upon FY 2016 revenues not being more than 1 percent below the official forecast, based on the Comptroller's preliminary fiscal year-end analysis.*

- ***Advance Teacher Retirement, Retiree Health Care Credit, and Group Life Employer Contribution to 100 Percent of VRS Board's Actuarial Rates.*** Adds \$55.1 million GF in FY 2018 to support increasing the employer professional rate changes for teacher retirement from 14.66 percent to 16.32 percent, Retiree Health Care Credit from 1.11 percent to 1.23 percent, and Group Life from 0.47 percent to 0.52 percent. These rates are 100 percent of the VRS Board certified full employer contribution rates.

In addition, provides \$1.7 million GF in the first year to further advance the Group Life rate to 100 percent, 0.52 percent, in FY 2017 in order to be consistent with the same rate established for all other participating groups.

- ***Note: This action advances the six-year schedule by one year to fully phase-in the Board's Actuarial Rates and is a separate action from the 10-year deferred contribution payback schedule that has an outstanding balance of \$313.2 million and scheduled to be paid off by FY 2021. Expand At-Risk Add-On Funding, Board Authority to Withhold.*** Adds \$7.1 million GF in FY 2017 and \$7.1 million GF in FY 2018 for the At-Risk Add-On program, which provides funding as a percentage add-on to the SOQ Basic Aid to support additional costs of educating at-risk students. The range of the add-on as a percentage of Basic Aid is increased from 1 to 12 percent to 1 to 13 percent, based on the percentage of students eligible for free lunch in the school division. For example, Petersburg, has 77.7 percent of its students eligible for free lunch and as a result, relative to the other school divisions, would receive the maximum add-on percent of 13 percent of extra SOQ Basic Aid funding for those students, with each of the other school divisions falling between the minimum and maximum add-on percentages.

New language requires school divisions to report on the uses of the base level of these funds and the uses of the increased funds in FY 2017. DOE is directed to compile the submitted data responses and report the information to the Chairmen of the House Appropriations and Senate Finance Committees no later the first day of the 2017 Virginia General Assembly Session (January 11, 2017).

New language also specifies that the Board of Education shall withhold payment of some or all of these funds in a division that has been determined to have failed to meet its obligations for progress in implementing corrective action plans.

- ***Restore Cost of Competing Adjustment (COCA) for Support Positions.*** Provides \$17.0 million GF funding in FY 2017 and \$17.4 million GF in FY 2018 to support a COCA for support salaries in Virginia school divisions located within the common labor market of the Washington-Baltimore-Northern Virginia, DC-MD-VA-WV Combined Statistical Area. Funding is based on the state's share of 10.60 percent COCA rate for SOQ funded support positions. There are nine divisions (the counties of Arlington, Fairfax, Loudoun, Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park) eligible for full rate funding and 9 divisions (the counties of Clarke, Culpeper, Fauquier, Frederick, Spotsylvania, Stafford, Warren and the cities of Fredericksburg and Winchester) for partial rate (25 percent of the full rate, or 2.65 percent) funding. ***Academic Year Governor's Schools Tuition Increase.*** Provides \$1.4 million GF in FY 2017 and \$1.7 million GF in FY 2018. Funding is based on adding a flat 2.5 percent increase to the per pupil amount under the current funding formula method and a \$50.00 per course adjustment per student. The adjustments are effective for FY 2017 and FY 2018 only and DOE is directed to review the funding methodology, including an equitable approach based on length of the program, and report by November 4, 2016. The adopted budget also includes a per pupil add-on for a 2 percent salary incentive increase, effective December 1, 2016.
- ***Academic Year Governor's School Cap Increase.*** Adds \$137,445 GF the first year and \$141,762 GF the second year to increase the cap on the number of students funded in any one Academic Year Governor's School from 1,725 to 1,800. Currently, the Thomas Jefferson AY Governor's School is the only one with a student membership above 1,725.
- ***Governor's School Planning Grant in Roanoke Valley.*** Provides \$100,000 GF the first year to DOE, in collaboration the school divisions and community colleges in the Roanoke Valley region, to develop a model proposal that

establishes a regional career and technical Governor's School Center in the Roanoke Valley.

- ***Increase Funding for Career and Technical Education Credentialing and Equipment.*** Provides an additional \$2.5 million GF in FY 2017 and \$2.5 million GF in FY 2018. Funding includes: \$1.4 million each year for equipment in high-demand, high-skill, and fast-growth industry sectors as identified by the Virginia Board of Workforce Development, and \$600,000 each year for competitive grants focused on high-demand and fast growth industry sectors with priority given to state-identified challenged schools and Governor's STEM and Health Sciences Academies. The remaining \$500,000 each year supports the cost of tests and materials for CTE credentialing for students and professional development for instructors in STEM career and technical education programs funded through the Path to Industry Certification initiative.
- ***New Funding for Early Childhood Pre-K Public-Private Partnerships.*** Adds \$1.5 million GF each year for a new pilot program to allow the Virginia Early Childhood Foundation to administer and award grants to incentivize local solutions for public-private delivery of pre-kindergarten services to at-risk children and communities, pursuant to Chapter 738 of the 2016 Acts of Assembly (HB 47).
- ***New Funding for Early Childhood Workforce Scholarships and Coursework.*** Provides \$600,000 GF in FY 2017 and \$1.0 million GF in FY 2018 for the Virginia Early Childhood Foundation to operate a tuition scholarship grant program to increase the skills of Virginia's early education workforce through scholarships and support for completion of high-quality coursework through community colleges.
- ***Increase Virginia Preschool Initiative Per Pupil Amount.*** Adds \$1.4 million GF in FY 2017 and \$1.5 million GF in FY 2018 to increase the per pupil amount (PPA) for the Virginia Preschool Initiative from \$6,000 to \$6,125, or 2.1 percent. The PPA percentage increase is based on applying one half of the SOQ Basic Aid PPA percent increase in the first year due to re-benchmarking in the budget as introduced.
- ***Literary Fund Support for School Employee Retirement Contributions.*** Adds \$10.0 million GF in FY 2018 to backfill Literary Fund revenues that previously had been used to pay for teacher retirement costs and the freed-up Literary Fund revenues may be programmed for direct loans for school construction to eligible school divisions. Issuing new construction loans will help address concerns from the Department of Treasury regarding the

required asset value of a minimum of \$80.0 million in the Literary Fund that is prescribed by the Constitution (see Literary Fund Resources table below for additional details).

<b>Revisions to Literary Fund Sources and Uses</b>			
(\$ in millions)			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Revenue Sources:</b>			
Fines, Fees and Forfeitures	\$64.4	\$70.2	\$70.8
Interest Less Fees	0.5	0.8	0.8
Unclaimed Property	250.3	117.0	110.0
Interest on UCP	0.5	0.6	0.7
Unclaimed Lottery Prizes	9.1	10.0	10.5
Loan Payments to the Literary Fund and Interest	21.8	20.2	19.2
VPSA Reserve	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>\$346.7</b>	<b>\$218.9</b>	<b>\$212.0</b>
<b>Expenditure Allocations:</b>			
Teacher Retirement/Social Security	\$165.2	\$165.2	\$155.2
Technology Equip. & "eBackpack" Debt Service	62.5	64.7	68.1
School Security Grants Debt Service	3.7	4.9	6.2
Interest Rate Subsidy	1.2	0.0	0.0
School Construction Loans	<u>52.9</u>	<u>0.0*</u>	<u>0.0*</u>
<b>Total</b>	<b>\$285.6</b>	<b>\$234.8</b>	<b>\$229.5</b>
*Loans may be made from available balances.			

- ***Competitive Grants for Alternative Teacher Compensation Approaches.*** Adds \$50,000 GF the first year for planning grants and \$2.1 million GF the second year for the first of five years for competitive grants to school divisions to implement performance-based teacher compensation systems. Priority will be given to school divisions that have not previously explored alternative compensation approaches and which have schools that are not achieving full accreditation, or that have high numbers of at-risk students needing qualified teachers in hard-to-staff subjects. The compensation program must include an effective evaluation system.
- ***STEM Grades 4-7 Education Engagement Program and Research Study (Virginia Air & Space Center).*** Adds \$870,625 GF the first year and \$681,975 GF the second year for one-to-one state matching funds for a multi-platform

STEM education engagement program and research study. The project will include 1,000 4<sup>th</sup> through 7<sup>th</sup> grade students across Hampton Roads in a two-year immersive educational engagement program via the Virginia Air & Space Center. Research findings from the study will be provided to DOE, superintendents and school board members of the 135 school divisions and all other relevant statewide venues.

- ***Expand Virtual Virginia Full-Time High School and New Math Outreach Program.*** Provides \$498,000 GF each year to expand the Virtual Virginia full-time high school pilot program from 90 to 200 students starting in academic year 2016-17. In addition, adds \$260,000 GF in FY 2017 and \$330,000 GF in FY 2018 to expand the virtual math outreach pilot program by enhancing support for Algebra I and for additional math courses.
- ***New Funding for Computer Science Training to Teachers.*** Provides \$550,000 GF each year to train teachers in computer science, a critical pathway to cyber security and other 21st century technology careers. Training will include elementary through high school advanced placement level computer science instruction.
- ***Increase School Breakfast Program Incentive Funding.*** Provides \$536,703 GF each year to increase funding to school divisions for additional meals served through either the traditional breakfast program or the Breakfast After-the-Bell program, which encourages innovative methods of serving breakfast to unserved or underserved children in elementary schools that have at least 45 percent of students eligible for free or reduced lunch. Participating divisions receive an additional \$0.05 per breakfast meal served. Additional language clarifies that the After-the-Bell reimbursement component is only available to elementary schools with more than 45 percent of students eligible for free or reduced meals.
- ***Expand Initiatives Providing Effective Discipline and Alternatives to Suspension.*** Adds \$500,000 GF each year to expand the Positive Behavioral Interventions and Support (PBIS) initiative, which provides researched-based models that help improve school climate and reduce disruptive classroom behavior, to additional schools with high rates of disciplinary offenses. The PBIS is the behavioral component of the Virginia Tiered Systems of Supports (VTSS).
- ***Expand the Communities in Schools Program.*** Adds a total of \$450,000 GF each year to provide \$265,000 for expansion of the Communities in Schools (CIS) program to all Petersburg schools. The remaining \$185,000 each year

is proposed for a parent engagement program in two additional Richmond City elementary schools.

- ***Petersburg Executive Leadership Incentives.*** Adds up to \$350,000 GF each year to provide for executive leadership incentives in the Petersburg City Public Schools to strengthen the impact of division and school level executive leadership on student achievement in the school division. DOE will provide the incentive payments directly to the Petersburg City Public Schools accounts pursuant to a Memorandum of Understanding (MOU) entered into between the BOE and the Petersburg City School Board by July 1, 2016. The MOU will include operational and student achievement metrics and provisions for the achievement of such metrics as a condition of payment of the incentive funds by DOE. Lastly, DOE is directed to provide updates on implementation of the MOU to the Chairmen of the House Appropriations and Senate Finance Committees.
- ***Provide Additional Special Education Teachers in State-Operated Detention Homes.*** Adds \$340,000 GF each year to support five additional special education teachers in local and regional state-operated detention homes based on the increase in special education student population. The increased enrollment (estimated at 20 students) is projected from a Department of Juvenile Justice initiative that would transfer school-aged students from the juvenile population at the state level facilities to the state-operated detention homes across the state.
- ***Virginia Reading Corps Program.*** Provides \$300,000 GF each year for a new pilot program for the school divisions to partner with the Virginia Reading Corps (VRC) program. The VRC is directed to report to school divisions and DOE on the outcomes of the program annually.
- ***Expand Early Learning of STEM Through the Arts.*** Provides an additional \$275,000 GF each year in additional funding to expand the science, technology, engineering, and mathematics (STEM) through the arts program for kindergarten and preschool students into Arlington, Chesterfield, Norfolk and Richmond City public schools. The program is currently offered in Accomack, Fairfax, Loudoun, Petersburg and Wythe.
- ***Increase of Projected Sales Tax Revenues.*** Adds a net increase of \$275,188 GF the first year and \$275,190 GF the second year from the expected impact of the sales tax revenue collected from Chapters 484 and 303 of the 2016 Acts of Assembly (HB 398/SB 444), which results from the prohibition of interest allowed to be earned on a refund claim for erroneously paid retail sales and use tax. There is an estimated \$628,676 GF each year from the generated sales

tax revenues coupled with an estimated offset savings of \$353,488 GF each year from lower Basic Aid costs.

- ***Expand High School Innovation Grants.*** Provides an additional \$250,000 GF each year for grants that will fund a 2<sup>nd</sup> cohort of five grants of up to \$50,000 each for planning for High School Program Innovation, including student-centered learning, promoting alignment with community work-force needs, and varying models for educator supports and staffing. Essential elements of high school innovation include: (1) student centered learning, with progress based on student demonstrated proficiency; (2) “real-world” connections that promote alignment with community work-force needs and emphasize transition to college and/or career; and (3) varying models for educator supports and staffing. Individual school divisions or consortia will apply on a competitive basis and submit a proposal to DOE by June 1<sup>st</sup> prior to the planning grant school year and DOE will make the final determination for the awards.
- ***Increase Funding for Summer Residential Governor's Schools.*** Adds a total of \$193,000 GF in FY 2017 and \$141,000 GF in FY 2018 to support Summer Residential Governor's Schools. The first portion of funding, \$100,000, is to cover the actual operating costs incurred by host universities, and the second portion, \$93,000 (which reflects both the state and local share of costs) in FY 2017 and \$41,000 (reflects only the state share) in FY 2018 for support of the new Hanover Regional Summer Governor's School for Career and Technical Advancement.
- ***STEM Competition Team Grants.*** Adds \$100,000 GF the first year and \$200,000 GF the second year for grants of up to \$5,000 each for science, technology, engineering, and mathematics education competition teams at qualified schools, pursuant to Chapter 761 of the 2016 Acts of Assembly (SB 246).
- ***New Funding for the Newport News Aviation Academy.*** Provides \$100,000 GF each year to support the Newport News Aviation Academy, a four-year science, technology, engineering, and mathematics (STEM) program in partnership with Denbigh High School that focuses on piloting, aircraft maintenance, engineering, computers, and electronics.
- ***Increase Funding for Project Discovery.*** Provides an additional \$187,500 GF the second year for Project Discovery, a college access program targeted to low-income, first generation college students. Project Discovery is required to submit a comprehensive and cumulative program performance metrics

evaluation to the Chairmen of the House Appropriations and Senate Finance Committees and the Department of Education by October 1, 2016.

- ***Virginia STAR IT Program.*** Adds \$50,000 GF each year to support the Virginia Student Training and Computer Refurbishment of Information Technology Program (VA STAR IT), whose goal is to create a sustainable educational program that takes surplus hardware from state agencies or private companies in order to offer students IT repair certification, and to make the refurbished computers available to those who need them.
- ***Consolidate Four Existing Teacher Recruitment and Retention Grant Programs.*** Consolidates four grant programs focused on attracting, recruiting, and retaining high-quality teachers in Virginia's public schools. The consolidated initiatives are: 1) Teacher Recruitment & Retention of Math and Science Teacher Recruitment Initiative, \$808,000 GF each year; 2) Teacher Recruitment Preparation Initiative, \$400,000 GF each year; 3) Virginia Teacher Scholarship Loan Program, \$708,000 GF each year; and 4) Virginia Teacher Corps, \$415,000 GF each year. New language permits the total funding of \$2.3 million GF each year to be spent in any one or all of these programs.
- ***Eliminate Youth Development Academies.*** Captures savings of \$543,176 GF each year by eliminating funding for the Governor's summer Youth Development Academies in each of the eight superintendents' planning regions.
- ***Eliminates STEAM Academy and Other Governor's School Start-up or Expansion Grants.*** Captures savings of \$100,000 GF each year from STEAM Academy planning and \$100,000 GF from Governor's School start-up or expansion grants.
- ***Eliminates Support for Virginia Career Education Foundation.*** Captures savings of \$31,003 GF each year by eliminating support for the Virginia Career Education Foundation.

– ***Language Changes.***

- ***Student Eligibility Criteria for Virginia Preschool Initiative.*** Clarifies that only four-old children who are residents of Virginia are eligible to enroll in this program.

New language also allows for up to 15 percent of Virginia Preschool Initiative slots to be filled based on locally-established eligibility criteria for at-risk rather than on an income-only criteria.



- ***Clarify Support Position Funding Methodology.*** Clarifies the explanation of the funding methodology for the support cap first adopted in the 2009 Session. The ratio of actual instructional positions relative to the number of actual support positions is applied to the estimated number of SOQ funded instructional positions per 1,000 students to determine the capped ratio number of funded support positions.
- ***Report on Broadband Connectivity.*** Requires local school divisions to report annually, by November 1<sup>st</sup>, to the Department of Education the status of broadband connectivity capability of schools in the division. The report will include: 1) school-level information on the method of internet service delivery; 2) level of bandwidth capacity and degree such capacity is sufficient for delivery of school-wide digital resources and instruction; 3) degree of internet connectivity via Wi-Fi; 4) cost information related to internet connectivity; 5) data security; and 6) any other relevant information requested by DOE. In addition, DOE is directed to post a summary report of all divisions' responses on its website.
- ***Reading Specialists Initiative/Math and Reading Instructional Specialist Initiative.*** Provides flexibility to allow funding to be used for tuition costs for current instructional school personnel to earn the credentials necessary to meet licensure requirements to be endorsed as a reading or instructional specialist.
- ***Early Reading Intervention Initiative.*** Allows school divisions to use allocated funding for full-time early literacy tutors.
- ***Community Eligibility Provision (CEP) Program.*** Clarifies that October 2013 Free Lunch student eligibility percentage data will be used for rebenchmarking purposes for those schools that participate in the CEP program.
- ***Teach for America Funds.*** Provides clarifying language that up to 50 percent of any unobligated carry forward balance may be used for the Teacher Residency program in the following year.
- ***Dual Enrollment.*** Directs DOE, in collaboration with the Virginia Community College System, to ensure that the same policies regarding the cost of dual enrollment course held at a community college are consistently applied to public school students and home-schooled students.
- ***Review of Incentives for Joint Contracting.*** Directs the Secretary of Education, in consultation with the Secretary of Finance, to review certain

approaches for incentivizing joint contracting arrangements by certain adjacent school divisions, and to provide a report by October 15, 2016.

<b>Appropriation Summary for the Education Assistance Programs</b>		
(\$ in millions)		
	<u>FY 2017</u>	<u>FY 2018</u>
<b>Standards of Quality Programs</b>		
Basic Aid	\$3,176.0	\$3,168.2
Sales Tax	1,382.9	1,432.9
Textbooks (split funded)	12.7	76.9
Vocational Education	52.5	52.4
Gifted Education	34.4	34.5
Special Education	383.0	384.1
Prevention, Intervention, and Remediation	114.1	114.3
English as a Second Language	52.5	54.9
VRS Retirement	402.2	449.1
Social Security	195.1	195.7
Group Life	13.3	13.3
Remedial Summer School	<u>28.3</u>	<u>30.0</u>
<b>Total</b>	<b>\$5,847.0</b>	<b>\$6,006.4</b>
<b>Incentive Programs</b>		
Compensation Supplement	\$48.9	\$85.0
Governor's Schools	18.5	19.1
Governor's School Planning – Roanoke Valley	0.1	0.0
At-Risk Add-On (split funded)	0.0	83.7
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
Early Reading Specialists	1.5	1.5
Math/Reading Instructional Specialists	1.8	1.8
Breakfast After the Bell	<u>1.1</u>	<u>1.1</u>
<b>Total</b>	<b>\$73.6</b>	<b>\$193.9</b>
<b>Categorical Programs</b>		
Adult Education	\$1.1	\$1.1
Adult Literacy	2.5	2.5

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

	<u>FY 2017</u>	<u>FY 2018</u>
Virtual Virginia	5.4	5.4
American Indian Treaty Commitment	0.1	0.1
School Lunch Program	5.8	5.8
Special Education – Homebound	5.5	5.6
Special Education – Jails	3.5	3.6
Special Education - State Operated Programs	<u>34.9</u>	<u>35.2</u>
<b>Total</b>	<b>\$58.6</b>	<b>\$59.2</b>
<b>Lottery Funded Programs</b>		
Foster Care	\$7.9	\$7.9
At-Risk (split funded)	98.3	14.8
Virginia Preschool Initiative	70.7	70.9
Early Intervention Reading	18.1	18.2
Mentor Teacher	1.0	1.0
K-3 Primary Class Size Reduction	129.7	131.7
School Breakfast Program	3.9	4.2
SOL Algebra Readiness	12.9	13.0
Supplemental Lottery Per Pupil Allocation	36.6	157.2
Regional Alternative Education	8.6	8.9
Individual Student Alternative Education Plan	2.2	2.2
Special Education – Regional Tuition	87.4	90.9
Career & Technical Education – Categorical	12.4	12.4
Race to GED (NCLB/EFAL)	2.4	2.4
Path to Industry Certification (NCLB/EFAL)	1.8	1.8
Project Graduation	2.8	2.8
Textbooks (split funded)	63.9	0.0
Supplemental Basic Aid	<u>0.8</u>	<u>0.8</u>
<b>Total</b>	<b>\$561.5</b>	<b>\$541.2</b>
<b>Technology – VPSA</b>	<b>\$72.7</b>	<b>\$74.8</b>
<b>Security Equipment – VPSA</b>	<b>6.0</b>	<b>6.0</b>
<b>Supplemental Assistance Programs</b>	<b>\$28.2</b>	<b>\$30.7</b>
(See following table below for individual allocations.)		

## Supplemental Education Assistance Programs

	<u>FY 2017</u>	<u>FY 2018</u>
<b>Supplemental Education Assistance Programs</b>		
Achievable Dream	\$500,000	\$500,000
Alternative Teacher Compensation Approaches Grants	50,000	2,075,000
Career and Technical Education Resource Center	298,021	298,021
Charter School Assistance	100,000	100,000
Communities in Schools (CIS)	1,244,400	1,244,400
Computer Science Training for Teachers	550,000	550,000
Early Childhood STEM (Wolf Trap)	600,000	600,000
Extended School Year & Year-Round Planning Grants	7,763,312	7,763,312
Great Aspirations Scholarship Program (GRASP)	400,000	400,000
High School Program Innovation	500,000	500,000
Jobs for Virginia Graduates (JVG)	573,776	573,776
National Board Certification Program (NBC)	5,885,000	5,885,000
Newport News Aviation Academy – STEM Program	100,000	100,000
Northern Neck Regional Technical Center	60,300	60,300
Petersburg Executive Leadership Recruitment	350,000	350,000
Positive Behavioral Interventions & Supports (PBIS)	1,098,000	1,098,000
Project Discovery	425,000	612,500
Small School Division Assistance	145,896	145,896
Southside Virginia Technology Consortium	108,905	108,905
Southwest Virginia Public Education Consortium	124,011	124,011
STEM Program/Research Study (VA Air & Space Center)	870,625	681,975
STEM Competition Teams Grant Fund	100,000	200,000
Teach For America	500,000	500,000
Teacher Recruitment Consolidated Programs	2,331,000	2,331,000
Teacher Residency	500,000	500,000
Van Gogh Outreach Program	71,849	71,849
VA Early Childhood Foundation – General Operations	250,000	250,000
VA Early Childhood Foundation – Public Private Partnerships	1,500,000	1,500,000
VA Early Childhood Foundation – Community College Tuition Grants	600,000	1,000,000
Virginia Reading Corps Pilot	300,000	300,000
VA Student Training & Refurbishment Program (STAR)	<u>300,000</u>	<u>300,000</u>
<b>Total</b>	<b>\$28,200,095</b>	<b>\$30,723,945</b>

- **Department of Education**

- ***Expand Computer Adaptive Testing.*** Provides one-time funding of \$3.4 million GF the first year and \$1.6 million GF the second year to transition the grades three-through-five mathematics tests and grades three-through-eight reading tests to a computer adaptive testing (CAT) format that is based on the student's ability level, shortens the length of tests, and provides more flexible test administration.
- ***Strengthen Agency Assistance to School Divisions.*** Adds \$1.0 million GF each year for 8 full-time positions to strengthen the department's assistance to local school divisions and state-operated programs, ensure compliance with external regulations and General Assembly mandates, and implement recommendations of the 2015 Joint Legislative Audit and Review Commission (JLARC) report on the Efficiency and Effectiveness of K-12 Spending. The positions are allocated as follows: 2 in professional development (math and science specialist and an English and history and social science specialist), 2 in school improvement (school improvement coordinator and school improvement specialist), 1 E-rate coordinator, 1 state operated programs specialist, 1 efficiency position for facilities and transportation, and 1 early childhood specialist.
- ***New eMediaVA Initiative.*** Provides \$900,000 GF each year to support the department's share of the contract with WHRO for the eMediaVA initiative, which is a repository of audio, video, and interactive multimedia learning resources and is free to all public, private and homeschool educators and students. eMediaVA provides the digital content development and online learning portal for Virtual Virginia.
- ***Student Assessment Growth Model Pilot.*** Provides \$500,000 GF the first year for a pilot program to deliver personalized instructional and academic planning for students, facilitate data driven school improvement efforts, and support the state's accountability and accreditation systems. Preliminary results will be provided to the Board of Education and the Chairmen of the House Appropriations and Senate Finance Committees in order to help evaluate whether a statewide approach should be implemented.
- ***Dyslexia Training for Teachers.*** Provides \$257,000 GF the first year and \$157,000 GF the second year for DOE to hire a new position to develop and implement training on indicators of dyslexia and the evidence-based interventions and accommodations for dyslexia for teachers who are seeking initial licensure or renewal of a license pursuant to Chapter 649 of the 2016 Acts of Assembly (HB 842).
- ***PALS Pre-Kindergarten Contract.*** Adds \$197,000 GF each year for the Phonological Awareness Literacy Screening (PALS) Pre-Kindergarten contract with the

University of Virginia (UVA), which was previously supported by federal funds. The contract requires UVA to collect data, provide analysis and report scores for the Pre-K PALS diagnostic. These screenings support the required student evaluations that local school divisions must perform to receive Virginia Preschool Initiative (VPI) funding.

- ***Expand School Performance Report Card Redesign.*** Adds \$80,000 GF the first year and \$175,000 GF the second year for the school performance report card redesign, required by Chapters 367 and 368 of the 2015 Acts of Assembly, and a second phase redesign to incorporate additional functionality and data points.
- ***Adjust Appropriation for the Costs of the Cardinal Financial System.*** Reflects an increase of \$70,165 GF and \$15,050, NGF in FY 2017 and \$75,048 GF and \$16,635 NGF in FY 2018 as the agency's share of the costs of the new Cardinal accounting system. The Department of Accounts allocates the yearly cost of the system to agencies based upon the number of transactions the agency completed in the previous fiscal year.
- ***Adjust Appropriation to Support Workers' Compensation Premiums.*** Saves \$899 GF and \$7,953 NGF in FY 2017 and \$752 GF and \$7,604 NGF in FY 2018 to reflect the allocation of the historical experience of the agency and reflects the current policy of providing agencies with 50 percent of any increased costs and allowing agencies to retain 50 percent of any reduced costs. Supports the agency's workers' compensation premiums based on the allocation of program costs provided by the Department of Human Resource Management.
- ***Workgroup on Special Education.*** Directs DOE to convene an interagency workgroup to assess barriers to serving students with disabilities in their local public schools. The workgroup is further directed to make its recommendations to the Virginia Commission on Youth prior to the 2017 General Assembly Session.
- ***Model Exit Survey.*** Directs DOE to develop a model questionnaire that school divisions may administer to exiting teachers and is in keeping with Chapter 594 of the 2016 Acts of Assembly (SB 360).
- ***Review of the Use of Technology in the Classroom.*** Directs DOE to holistically review the statewide use of technology in the classroom and all sources of digital content development and online learning such as virtual courses and innovative blended learning language and literacy technology options. Further directs DOE to report its preliminary findings to the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2017.

- **Secretary of Education**
  - *Review of Certain Approaches for Multiple School Division Partnerships.* Adds language directing the Secretary, in consultation with the Secretary of Finance, to develop approaches for incentivizing joint contracting of all educational services between adjacent school divisions where at least one division has fewer than 4,000 students in average daily membership. Further, the Secretaries are directed to submit a report of the various approaches to the Chairmen of the House Appropriations and Senate Finance Committees no later than October 15, 2016.
  
- **Virginia School for the Deaf and Blind**
  - *Adjust Appropriation for the Costs of the Cardinal Financial System.* Adds \$8,923 GF and \$1,112 NGF in FY 2017 and \$9,469 GF and \$1,184 NGF in FY 2018 to reflect the agency's share of the costs of the new Cardinal accounting system. The Department of Accounts allocates the yearly cost of the system to agencies based upon the number of transactions the agency completed in the previous fiscal year.
  - *Adjust Appropriation to Support Workers' Compensation Premiums.* Supports the agency's workers' compensation premiums based on the allocation of program costs provided by the Department of Human Resource Management. The allocation is based on the historical experience of the agency and reflects the current policy of providing agencies with 50 percent of any increased costs and allowing agencies to retain 50 percent of any reduced costs.
  - *Change Faculty and Staff Contract Year.* Provides one-time funding of \$326,757 GF the first year to facilitate a change in the faculty and staff contract year as a result of adjusting the academic year to align with surrounding localities, starting in school year 2016-17.