

***Overview of Governor's Amendments to  
the 2010-2012 Direct Aid to Public  
Education Budget (and other Public  
Education Funding) in  
HB 1500 as Introduced***

**Presented to the House Appropriations Subcommittee  
on Elementary & Secondary Education**

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## ***Briefing Introduction***

- **The 2010-2012 budget adopted at the 2010 General Assembly (Chp. 874) is the base budget against which the Governor's recommended changes are made. The Governor's introduced amendments are contained in HB 1500.**
- **This briefing overviews the Governor's recommended changes to the 2010-12 Direct Aid to Public Education budget, and changes to the DOE Central Office and Sec. of Ed. budgets.**
- **Direct Aid budget recommendations include technical and policy actions.**

## ***Recommended Funding Increases in Direct Aid***

- **Revised Sales Tax estimates – increase by \$44.3 million in FY11 and \$47.6 million in FY12.**
  - **State share of Basic Aid decreases \$24.8M in FY11 & \$26.6M in FY12 due to the offset in the BA formula – the net funding increase to divisions is \$19.5M in FY11 & \$21.0M in FY12.**
  
- **GF share of cost to correct 2008 free lunch % in formulas for Petersburg City – \$64,815 in FY11 and \$63,572 in FY12.**

## ***Recommended Funding Increases in Direct Aid***

- **Literary Fund transfer supporting VRS payments reduced by \$2.0M in FY11 and increased by \$2.0M in FY12 based on latest LF revenue/expenditure forecast. Offset by corresponding changes in GF support for VRS to maintain full funding; therefore, the net funding impact to divisions is zero.**
  - **No available funding from the Literary Fund is anticipated to support a LF subsidy program or direct construction loans in FY11 or FY12.**

## ***Recommended Funding Increases in Direct Aid***

- **\$3.4 million GF increase in FY11 for Basic Aid to offset a reduction in federal State Fiscal Stabilization Funds (SFSF) allocated to K-12 vs. higher ed. based on Va.'s revised SFSF application to USED reflecting Chp. 874 actions. Since an equal amount is reduced from SFSF funds, the net impact on division funding is zero, but this action fully funds division Basic Aid entitlements in FY11.**
- **At this point, all federal stimulus funds have been awarded to divisions, including \$122.9M in SFSF funds and \$249.5M in Ed Jobs funds in FY11. Ed Jobs funds were appropriated administratively last fall; not reflected in HB 1500 amendments.**

## ***Recommended Funding Increases in Direct Aid***

- **Funds the state share of a 2.0% professional VRS employer rate increase in FY12 – \$53.2 million in FY12. Employer contribution rate increases from 5.16% to 7.16% in FY12.**
  - **Proposed language in Central Appropriations allows school boards to require employees hired prior to July 1, 2010, to pay the 5.0% employee contribution if a minimum 3.0% salary increase is provided at the same time. New employees hired on or after July 1, 2011, would pay all of the 5% employee contribution.**
  - **No state savings related to employee contribution changes since not currently funded in the SOQ.**

## ***Recommended Funding Increases in Direct Aid***

- **New Performance Pay Incentive Initiative – \$3.0 million for pilots in FY12.**
  - **Competitive grants to divisions to pilot models for awarding performance pay incentives of up to \$5,000 for highly qualified and effective teachers who have improved student achievement in hard-to-staff (HTS) schools.**
  - **191 schools statewide identified as HTS by meeting 4 of the 8 HTS criteria. Divisions in each of the eight superintendents' regions to pilot performance pay incentive models in their HTS schools.**
  - **The pilot schools will implement a comprehensive evaluation system for assessing teacher performance that is aligned to multiple standards developed by a stakeholder workgroup convened by VDOE in 2010-2011.**

## ***Recommended Funding Increases in Direct Aid***

- **New Performance Pay Incentive Initiative in FY12 (*continued*)**
  - **Incentives will target teachers who earn an exemplary rating on performance evaluations. Progress in student achievement must account for a significant component of the evaluation.**
  - **Divisions must apply to DOE for the pilot program by June 15, 2011.**



## ***Recommended Funding Decreases in Direct Aid***

- **Update Direct Aid accounts based on actual enrollment data and revised enrollment projections – \$17.3 million reduction in FY11 & \$26.0 million reduction in FY12.**
  - **Reduced projected ADM by 4,370 students in FY11 (-.36%) & 6,659 students in FY12 (-.54%) compared to Chp. 874 – reflects slower statewide enrollment growth of around 0.5%.**
  
- **Update Incentive and Categorical accounts for enrollment and participation – \$4.1 million reduction in FY11 and \$3.9 million reduction in FY12.**

## ***Recommended Funding Decreases in Direct Aid***

- **Adjust funding for National Board Certified Teacher grants for actual number of eligible teachers in FY11 – \$292,500 reduction in FY11. No funding change for FY12.**
- **Transfer GF programs to Lottery funds due to available balances from Lottery program enrollment and participation updates, and from a \$675,000 increase in projected FY12 Lottery proceeds – \$19.8M GF reduction in FY11 and \$13.2M GF reduction in FY12.**
  - **A portion of Composite Index Hold Harmless will be paid with Lottery funds in FY11, and a portion of Textbooks will be paid from Lottery in FY12.**

## ***Recommended Funding Decreases in Direct Aid***

- **Update the cost of the Composite Index Hold Harmless account in FY11 based on HB 1500 base (cost currently based on the introduced budget from Dec. 2009, HB 30) – \$8.4M reduction in FY11.**
  
- **Reprogram FY12 Composite Index Hold Harmless funds – \$57.6 million reduction in FY12.**
  - **Funds used to support VRS rate increase and performance pay incentive pilots.**

## ***Recommended Direct Aid Budget Language Changes***

- **New language to clarify that localities electing to carry forward qualifying state funds from FY11 to FY12 must appropriate the funds to the school division for expenditure in FY12.**
- **New language to clarify that the state and local matching funds used to support the Virginia Preschool Initiative program may not be used for capital outlay.**
- **New language directing DOE to prorate Textbook funding in the event of a Lottery Proceeds revenue shortfall. Per pupil Lottery account no longer available as “balancer” account.**

## *Direct Aid to Public Education Budget Summary - HB 1500 as Introduced*

FY 2011	General Fund	Nongeneral Fund	Total
Base Budget (Chp. 874)	\$4,739,288,334	\$1,540,436,627	\$6,279,724,961
Governor's Amendments	(\$24,752,146)	(\$5,431,113)	(\$30,183,259)
<b>Total HB 1500 as Intro.</b>	<b>\$4,714,536,188</b>	<b>\$1,535,005,514</b>	<b>\$6,249,541,702</b>

FY 2012	General Fund	Nongeneral Fund	Total
Base Budget (Chp. 874)	\$4,903,098,078	\$1,400,575,628	\$6,303,673,706
Governor's Amendments	(\$25,345,633)	\$2,675,000	(\$22,670,633)
<b>Total HB 1500 as Intro.</b>	<b>\$4,877,752,445</b>	<b>\$1,403,250,628</b>	<b>\$6,281,003,073</b>

## ***Recommended Funding Changes - DOE*** ***Central Office***

### **➤ Proposed Spending:**

- **\$125,000 in FY11 for remaining costs for the closure and disposition of the former VSDB campus in Hampton (unemployment, utilities, insurance, repairs).**
- **\$100,000 in FY12 for the Career Pathways program, to increase availability and student awareness of CTE program options.**

### **➤ Proposed Savings:**

- **Reduction Plan Strategies: \$399,956 GF reduction in FY11, and GF reduction of \$911,057 & 2.50 positions in FY12. Various reduction strategies reduce GF personnel and operating costs.**

## ***Recommended Funding Changes – Secretary of Education***

- **Provides \$600,000 in FY12 to plan for the development of College Partnership Laboratory Schools with public higher ed. institutions in Va. The Sec. of Ed. is authorized to select higher ed. institutions to receive funding. Lab schools authorized in HB 1389 (2010).**