

Proposed Amendments for Public Education in the 2014-2016 Biennial Budget House Bill 1400



**House Appropriations Committee
Susan L. Hogge
January 20, 2015**

Public Education

- Within the Direct Aid to Public Education budget, the majority of the proposed amendments reflect transfer adjustments included in Chapter 3 (Item 471.40) and technical updates
 - It's important to point out that the Direct Aid budget did not realize any agency 5% and 7% budget reduction cuts in HB 1400
 - The table shows the transfer amounts for the Lottery and Literary Fund revenues
 - The additional NGF revenues supplanted equal amount of GF

Distribution of Adjustments from Item 471.40 in Chapter 3	FY 2015	FY 2016	Biennium
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)

Direct Aid -- Biennial Budget \$14.2 Billion

- The Governor's proposed amendments to the 2014-16 biennial budget for Direct Aid to Public Education totals \$10.95 billion GF and \$3.30 billion NGF (Lottery, literary and federal)
 - FY 2015: \$5,402.2 million GF and \$1,616.5 million NGF
 - FY 2016: \$5,545.7 million GF and \$1,675.7 million NGF

Summary of Proposed Revenues for Direct Aid to Public Education (\$ in million)

Chapter 3 Total	\$7,030.8	\$7,086.1	\$14,116.9
	<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>
HB1400 TOTAL	\$7,018.7	\$7,221.4	\$14,240.1
Difference	(\$12.1)	\$135.3	\$123.2

HB1400 Technical Updates to SOQ, Incentive and Categorical Accounts

- DOE's annual update to student membership projections for the biennium reflect a slower growth in ADM and saves \$14.2 million GF
 - FY 2015: \$6.4 million decrease from 1,741 fewer students than projected for a revised statewide ADM estimate of 1,236,529
 - FY 2016: \$7.8 million decrease from 2,214 fewer students than projected for a revised statewide ADM estimate of 1,244,215
- As is typical, lower membership heads to lower student participation levels for the programs in the Incentive and Categorical accounts
 - Incentive accounts reflect a net savings of about \$0.6 million
 - Categorical accounts reflect a net savings of about \$2.0 million
- Technical updates in FY 2015 that are related to corrections from data submission errors in FY 2014: adds \$668,918
 - ADM, remedial summer school, and special education regional tuition

Incentive Program Accounts

Program Description	FY 2015	FY 2016	Biennium	FY 2015	FY 2016	Biennium
Governor's School	\$15,709,805	\$15,916,692	\$31,626,497			
	\$15,563,818	\$15,846,981	\$31,410,799	(\$145,987)	(\$69,711)	(\$215,698)
Gov's Sch Planning and Startup/ Expansion Grants	\$0	\$100,000	\$100,000	\$0	\$0	\$0
Gov's Sch Planning Grant – Career & Technical Educ	\$100,000	\$0	\$100,000	\$0	\$0	\$0
Clinical Faculty	\$318,750	\$318,750	\$637,500	\$0	\$0	\$0
Career Switcher Mentoring Grants	\$279,983	\$279,983	\$559,966	\$0	\$0	\$0
Special Education Endorsement Program	\$600,000	\$600,000	\$1,200,000	\$0	\$0	\$0
Special Education - Vocational Education	\$200,089	\$200,089	\$400,178	\$0	\$0	\$0
Va Workplace Readiness Skills Assessment	\$308,655	\$308,655	\$617,310	\$0	\$0	\$0
Math/Reading Instructional Specialists Initiative	\$1,834,538	\$1,834,538	\$3,669,076			
	\$1,697,841		\$3,532,379	(\$136,697)	\$0	(\$136,697)
Early Reading Specialists Initiative	\$1,476,790	\$1,476,790	\$2,953,580			
	\$1,237,723		\$2,714,513	(\$239,067)	\$0	(\$239,067)
Shared Services Agreement – Chesterfield/Petersburg	\$0	\$600,000	\$600,000	<i>Vetoed by the Governor</i>		
<i>FY 2014 School Division Payment Revisions</i>	\$668,918	\$0	\$668,918	\$668,918	\$0	\$668,918
<i>Breakfast After the Bell Incentive</i>	\$0	\$537,297	\$537,297	\$0	\$537,297	\$537,297
Total	\$20,828,611	\$21,635,498	\$42,464,109			
	\$20,975,777	\$22,103,083	\$43,078,860	\$147,166	\$467,585	\$614,751

Categorical Programs

Program Description	FY 2015	FY 2016	Biennium		FY 2015	FY 2016	Biennium
Adult Education	\$1,051,800	\$1,051,800	\$2,103,600		\$0	\$0	\$0
Adult Literacy	\$2,480,000	\$2,480,000	\$4,960,000		\$0	\$0	\$0
Virtual Virginia	\$4,347,808	\$4,347,808	\$8,695,616		\$0	\$0	\$0
American Indian Treaty Commitment	\$56,835	\$60,647	\$117,482				
	\$50,258	\$59,063	\$109,321		(\$6,577)	(\$1,584)	(\$8,161)
School Lunch Program	\$5,801,932	\$5,801,932	\$11,603,864		\$0	\$0	\$0
Special Education - Homebound	\$5,563,559	\$5,752,718	\$11,316,277				
	\$5,380,383	\$5,488,057	\$10,868,440		(\$183,176)	(\$264,661)	(\$447,837)
Special Education - Jails	\$3,580,903	\$3,699,326	\$7,280,229				
	\$3,521,484	\$3,688,850	\$7,210,334		(\$59,419)	(\$10,476)	(\$69,895)
Special Education - State Operated Programs	\$33,811,054	\$34,155,627	\$67,966,681				
	\$32,755,271	\$33,737,931	\$66,493,202		(\$1,055,783)	(\$417,696)	(\$1,473,479)
Total	\$56,693,891	\$57,349,858	\$114,043,749				
	\$55,388,936	\$56,655,441	\$112,044,377		(\$1,304,955)	(\$694,417)	(\$1,999,372)

Sales Tax Updates

- Proposed actions reflect the sales tax forecast update and updating the sales tax distributions based on current school-aged population census data
 - Reforecast estimates reflect a net savings of \$6.0 million
 - Updates from the most current census data will result in an increase of \$1.6 million in the second year
 - Proposed sales tax revenues total \$1,267.1 million in FY 2015 and \$1,309.4 million in FY 2016

Net Sales Tax	FY 2015	FY 2016	Biennium
Proposed Increase to Sales Tax Forecast	(\$5.5)	(\$8.2)	(\$13.7)
SOQ Basic Aid Adjustment	\$3.1	\$4.6	\$7.7
NET Adjustments	(\$2.4)	(\$3.6)	(\$6.0)

Summary of Technical Changes for Direct Aid

Technical Adjustments in HB 1400	FY 2015	FY 2016	Biennium
Update Sales Tax Revenue Distributions based on Latest 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 Lottery Reforecast & Carry-forward	<u>(\$7.5)</u>	<u>(\$21.6)</u>	<u>(\$29.1)</u>
Total Technical Changes	(\$29.6)	(\$36.3)	(\$65.9)

Lottery Proceeds Fund Updates: \$57.2 million over Biennium

- HB 1400 reflects several amendment changes in the Lottery Proceeds Fund beyond those contained in Chapter 3: \$28.1 million in additional revenue
- Proposes using the available net Lottery revenues to fund a like amount of general fund programs costs and generates an equal GF savings
 - Revised revenue forecast for a net increase of \$26.1 million over the biennium in additional revenues
 - Carry forward balance of \$3.0 million from prior year to FY 2015 in additional revenues
 - Technical adjustments for lower student participation rates in programs funded with Lottery revenues, resulting in \$16.3 million over the biennium

Lottery - Funded Programs

Program Description	FY 2015	FY 2016	Biennium	FY 2015	FY 2016	Biennium
Foster Care	\$9,345,922	\$9,657,863	\$19,003,785			
	\$8,689,453	\$8,824,359	\$17,513,812	(\$656,469)	(\$833,504)	(\$1,489,973)
At-Risk Add-On	\$89,654,406	\$89,666,296	\$179,320,702			
	\$89,587,381	\$89,649,493	\$179,236,874	(\$67,025)	(\$16,803)	(\$83,828)
Virginia Preschool Initiative	\$71,976,297	\$74,922,998	\$146,899,295			
	\$68,300,254	\$74,859,964	\$143,160,218	(\$3,676,043)	(\$63,034)	(\$3,739,077)
Early Reading Intervention	\$17,886,428	\$17,948,114	\$35,834,542			
	\$17,714,461	\$17,778,143	\$35,492,604	(\$171,967)	(\$169,971)	(\$341,938)
Mentor Teacher	\$1,000,000	\$1,000,000	\$2,000,000	\$0	\$0	\$0
K-3 Primary Class Size Reduction	\$118,119,161	\$118,288,804	\$236,407,965			
	\$113,675,099	\$117,733,757	\$231,408,856	(\$4,444,062)	(\$555,047)	(\$4,999,109)
School Breakfast Program	\$4,135,134	\$4,664,983	\$8,800,117			
	\$3,484,111	\$3,948,823	\$7,432,934	(\$651,023)	(\$716,160)	(\$1,367,183)
SOL Algebra Readiness	\$12,256,970	\$12,265,706	\$24,522,676			
	\$12,107,540	\$12,159,318	\$24,266,858	(\$149,430)	(\$106,388)	(\$255,818)
Regional Alternative Education	\$8,085,825	\$8,086,130	\$16,171,955			
	\$8,075,871	\$8,051,939	\$16,127,810	(\$9,954)	(\$34,191)	(\$44,145)
ISAEP	\$2,247,581	\$2,247,581	\$4,495,162	\$0	\$0	\$0
Spec Educ – Regional Tuition	\$82,966,984	\$87,737,058	\$170,704,042			
	\$79,503,166	\$84,204,352	\$163,707,518	(\$3,463,818)	(\$3,532,706)	(\$6,996,524)

Lottery - Funded Programs (continued)

Program Description	FY 2015	FY 2016	Biennium	FY 2015	FY 2016	Biennium
Career & Technical Ed – Categorical	\$10,400,829	\$10,400,829	\$20,801,658	\$0	\$0	\$0
Project Graduation	\$2,774,478	\$2,774,478	\$5,548,956	\$0	\$0	\$0
Virginia Teacher Corps	\$415,000	\$415,000	\$830,000	\$0	\$0	\$0
Race to GED	\$2,410,988	\$2,410,988	\$4,821,976	\$0	\$0	\$0
Path to Industry Certification	\$1,331,464	\$1,331,464	\$2,662,928	\$0	\$0	\$0
Supplemental Basic Aid	\$932,460	\$942,505	\$1,874,965			
	\$920,619	\$930,857	\$1,851,476	(\$11,841)	(\$11,648)	(\$23,489)
English as a Second Language	\$48,601,863	\$49,646,295	\$98,248,158			
	\$49,367,794	\$50,851,744	\$100,219,538	\$765,931	\$1,205,449	\$1,971,380
Textbooks (split funded)	\$40,458,210	\$15,592,908	\$56,051,118			
	\$66,576,398	\$42,094,836	\$108,671,234	\$26,118,188	\$26,501,928	\$52,620,116
<i>Remedial Summer School (split funded)</i>	\$21,971,263	\$0	\$21,971,263	\$21,971,263	\$0	\$21,971,263
Total	\$525,000,000	\$510,000,000	\$1,035,000,000			
	\$560,553,750	\$531,667,925	\$1,092,221,675	\$35,553,750	\$21,667,925	\$57,221,675

Literary Fund – Updates and Policy Changes

- Literary Fund figures reflect a transfer adjustment from Chapter 3, and also realizes several other proposed amendment and policy changes
- Reflects a proposal of Treasury Department to sell \$250.0 million of unclaimed stocks and to use proceeds for the following purposes:
 - Make a one-time payment of \$150.0 million in FY 2016 to the VRS to decrease the \$506.1 million deferred contribution portion of the unfunded liability in the teacher retirement account
 - Revised amount of \$356.1 million would be scheduled out over the remaining 6 years through
 - Subsequently, based on the lowered unfunded liability balance, the introduced budget proposes re-calculating the retirement rate to 14.15%, down from 14.50%, and to capture the \$10.4 million GF in FY 2016 in generated savings
 - Lower VRS rate also reduces school divisions' share of costs
- \$50.0 million for new School Construction loans
- \$25.0 million for Interest Rate Subsidy grants
- \$25.0 million is allocated to offset a like amount of general fund spending for teacher retirement costs
 - FY 2015 total payment: \$182.9 million
 - FY 2016 total payment: \$121.0 million

New Program, Policy and Language Changes

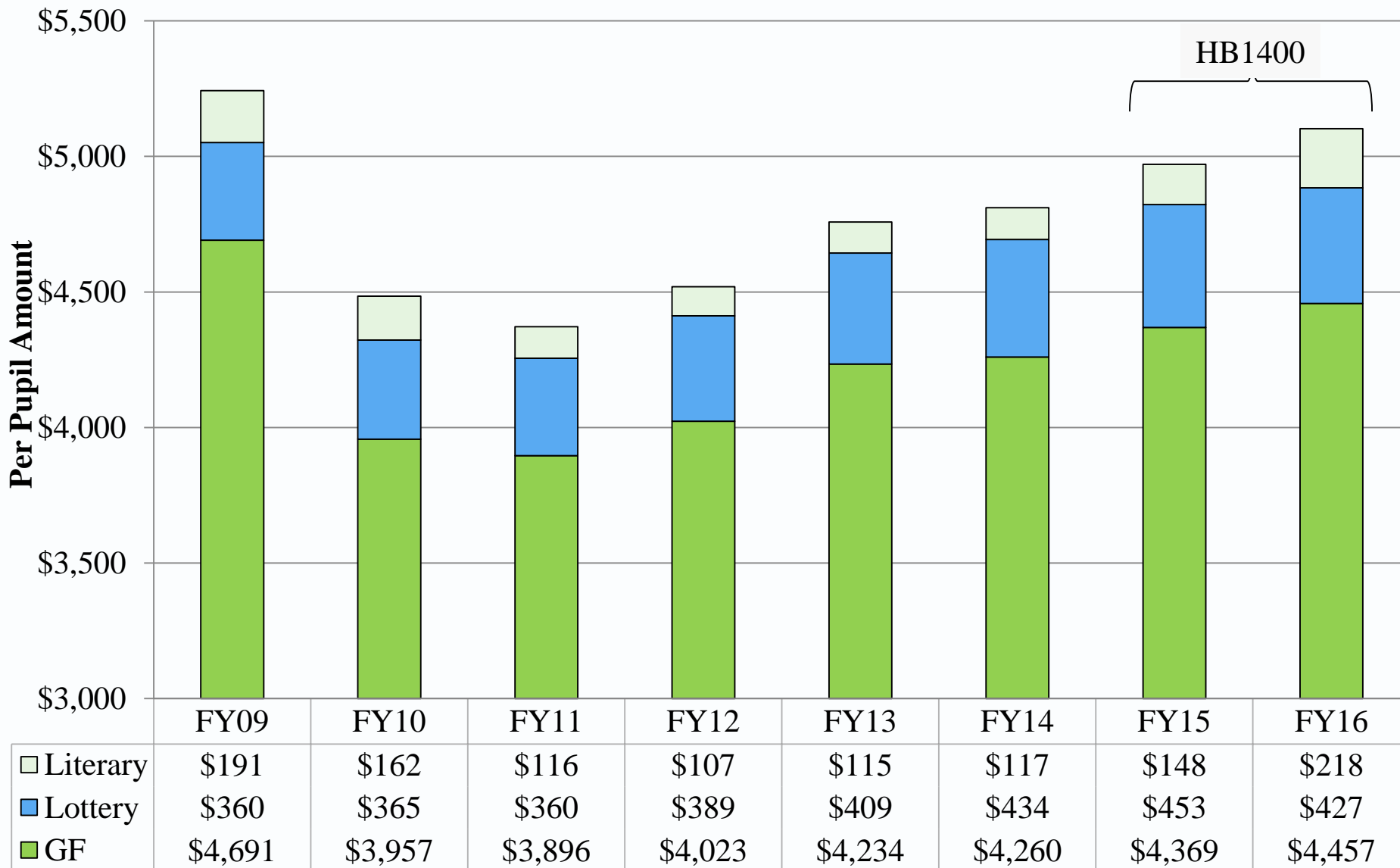
- Proposes adding \$1.3 million GF in FY 2015 and \$1.4 million GF in FY 2016, to backfill the remaining two years of projected loss of DMV generated revenues (Commonwealth Transportation) that occurred from the extension of driver licenses renewal period from 5 to 8 years for the remaining transition period
 - Available balances made up the first year shortfall in FY 2014
- Proposes adding \$537,297 GF in FY 2016 to fund a new School 'Breakfast After the Bell' incentive program for school divisions that elect to offer some type of innovative way of serving breakfast to students after the school day begins
 - Provides \$0.05 reimbursement per each additional meal served above the total reported in FY 2014
 - FY 2013, most current data available, divisions reported that 43,657,484 breakfast meals were served (free, reduced and paid)
 - 1,218,295 students reported in September 30th membership in FY 2013, which averaged to about 36 meals per student during the school year

New Program, Policy and Language Changes

- New language proposes flexibility that will allow DOE to allocate available balances from year-round school grants to other types of submitted proposals for extended day or other alternative instructional models
- New language would allow any unused Pre-K student slots to be reallocated to other school divisions that have used all of their allocated slots and have reported a waiting list for the program in FY 2016
 - Proposal reallocates funding from unused At-risk slots to pay for non At-risk student slots – policy would not allow the current budget non-participation rate of 25.6% to be adjusted to reflect actual usage – which was 28.3% in FY 2015
 - Although the current funding formula for Pre-K program covers 100% of the At-risk four-year-olds based on free lunch eligibility for every division – the current budget language allow schools to use any definition to determine ‘At-risk’

Summary of New Initiatives / Policy Changes	<u>FY 2015</u>	<u>FY 2016</u>	<u>Biennium</u>
New School “Breakfast After the Bell” Initiative	\$0.0	\$0.5	\$0.5
Backfill Drivers’ Ed. Revenue from DMV License Fees	1.3	1.4	2.7
Transfer \$250.0 million in Unclaimed Property to Literary Fund:			
Re-calculate VRS Rate to 14.15% based on \$150 million Reduction in Liability (14.50% in Ch. 3)	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 All New Initiatives and Policy Changes	(\$23.7)	(\$8.5)	(\$32.2)
TOTAL GF FOR ALL PROPOSED CHANGES	(\$96.4)	(\$44.8)	(\$141.2)
TOTAL NGF FOR ALL PROPOSED CHANGES	\$84.2	\$180.1	\$264.3
GRAND TOTAL ALL REVENUE CHANGES	(\$12.2)	\$135.3	\$123.1

History of Per Pupil Amounts



Supplemental Assistance Programs

Program Description	FY 2015	FY 2016	Biennium
Career and Technical Education Resource Center	\$298,021	\$298,021	\$596,042
Jobs for Virginia Graduates	\$373,776	\$573,776	\$947,552
Project Discovery	\$700,000	\$700,000	\$1,400,000
Small School Division Assistance	\$145,896	\$145,896	\$291,792
Southside Virginia Technology Consortium	\$58,905	\$58,905	\$117,810
Southwest Virginia Public Education Consortium	\$124,011	\$124,011	\$248,022
Virginia Career Education Foundation	\$31,003	\$31,003	\$62,006
Van Gogh Outreach Program	\$71,849	\$71,849	\$143,698
Charter School Supplement	\$100,000	\$100,000	\$200,000
Va. Student Training & Refurbishment (VA STAR)	\$225,000	\$250,000	\$475,000
Va. Teacher Scholarship Loan Program	\$708,000	\$708,000	\$1,416,000
National Board Certification Program	\$5,885,000	\$5,885,000	\$11,770,000
Great Aspirations Scholarship Program	\$212,500	\$400,000	\$612,500
Teacher Recruitment: Preparation Pilot Initiative	\$400,000	\$400,000	\$800,000
Teacher Recruitment & Retention: Math & Science Pilot	\$808,000	\$808,000	\$1,616,000
Youth Development Academy	\$543,176	\$543,176	\$1,086,352
Communities in Schools	\$794,400	\$794,400	\$1,588,800
Virginia STEAM Academy	\$100,000	\$0	\$100,000
Positive Behavioral Interventions & Support	\$598,000	\$598,000	\$1,196,000
Year-Round Schools Planning Grants	\$1,613,312	\$3,013,312	\$4,626,624
Teach for America	\$500,000	\$500,000	\$1,000,000
Wolf Trap Model STEM Program	\$0	\$325,000	\$325,000
Achievable Dream	\$0	\$500,000	\$500,000
Total	\$14,290,849	\$16,828,349	\$31,119,198

DOE Central Office: \$2.2 Million GF New Spending in FY 2016

- Recommends adding \$1.3 million to help under-performing and academically struggling schools
 - \$713,000 to establish a program of professional development for principals
 - \$572,976 for five new positions to help support those schools
- Proposes adding \$732,000 in one-time funding to transition the 7th and 8th grade SOL mathematics tests to a Computer Adaptive Testing (CAT) platform
- Proposes \$200,000 to cover the estimated cost of expedited SOL retakes for 3rd through 8th graders that have failed within a narrow window of a pass rate
 - \$25.2 million in FY2015 and \$25.4 million is budgeted for SOL testing
- New language expands the use and scope of the Information Technology Academy funding to include additional IT credentials and certifications
 - \$1.5 million is available each year

DOE Central Office – Proposed Savings

- Proposed savings strategies for DOE are largely the Reversion Clearing Account balances totaling \$1.2 million in the second year

HB 1400 Proposed Reductions – (Item 471.10)	FY 2015	FY 2016
Eliminate statewide digital content and online resources	\$0	(\$500,000)
Eliminate Va. Center for Teaching Excellence @ George Mason University	\$0	(\$220,191)
Reduce staff training	\$0	(\$204,584)
Remove discretionary funds	\$0	(\$100,000)
Eliminate annual membership for Education Commission of the States (ESC)	\$0	(\$91,800)
Reduce performance evaluation training	\$0	(\$69,250)
TOTAL		(\$1,185,825)

Virginia School for the Deaf and Blind

- New proposed language grants the VSDB's Board of Visitors authorization to accept the title and assume the ownership of a parcel of real property in Wise County, Virginia
 - Located at 4164 Stone Mountain Road - 0.95 acres
- The property was bequeathed to VSDB as a disbursement in the Will of an alumnus of the school
- Further grants authorization to the Board to transfer the property ownership to the VSDB Foundation
- Any income or proceeds from a lease or sale may be used by the VSDB Foundation for any foundation purpose