

Public Education

The adopted amendments to the 2008-10 biennial budget for Direct Aid to Public Education result in a net decrease of \$726.7 million GF and \$6.9 million NGF when compared to Chapter 879 of the 2008 Acts of Assembly for a revised total of \$10,927.5 million GF and \$2,886.8 million NGF for the biennium. In addition, \$365.2 million is allocated for Public Education in FY 2010 from the federal State Fiscal Stabilization Fund (SFSF) provided by the American Recovery & Reinvestment Act of 2009 (ARRA). These dollars are allocated to local school divisions based on the proportion that each represented of selected reductions proposed in the introduced budget related to the 1) change in the support position funding methodology, 2) elimination of the school construction grants program, and 3) elimination of the Lottery-funded "Additional Support for School Construction and Operating Costs." Additional federal dollars for existing funding streams (i.e. \$290.2 million over two years for the Individuals with Disabilities Education Act, \$213.2 million over two years under Title I of the Elementary & Secondary Education Act for services for economically disadvantaged students, etc.) will also be available under ARRA.

The majority of the net savings are due to technical adjustments for projected slowing of enrollment growth and for sales tax revenue revisions and elimination of a 2.0 percent salary increase. In addition, \$54.4 million GF for the biennium are "freed up" by an additional transfer of Literary Funds to support retirement contributions.

Amendments to Direct Aid to Public Education (2008-10 biennium, \$ in millions)			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
National Board Cert. Program	0.0	1.0	1.0
RHCC & Group Life Rate Changes	0.0	(2.7)	(2.7)
School Construction Grants*	0.0	(27.5)	(27.5)
Increase Literary Fund Transfers for Retirement Costs	(42.5)	(11.9)	(54.4)
Reassign Programs Funded by Lottery Proceeds Fund*	0.0	(55.8)	(55.8)
Eliminate 2% Salary Increase	0.0	(71.6)	(71.6)
Technical Adjustments for Sales Tax, Triennial Census	(38.0)	(48.0)	(86.0)
Other (Technical Adjustments for Enrollment, Etc.)	(35.7)	(53.0)	(88.7)
Funding Cap for Support Positions*	<u>0.0</u>	<u>(340.9)</u>	<u>(340.9)</u>
Total GF Amendments	(\$116.2)	(\$610.4)	(\$726.7)
Federal Fiscal Stabilization Funds (Central Approps.)	\$0.0	\$365.2	\$365.2

* Fiscal Stabilization funds restore 86.1 percent of these reductions.

- **Direct Aid to Public Education**

- ***Federal “State Fiscal Stabilization Fund” Used to Restore 86 Percent of Three Reductions.*** The adopted budget allocates \$365.2 million in federal State Fiscal Stabilization Funds to Public Education in FY 2010. The funds are allocated to local school divisions based on the proportion that each represented of the reductions in the budget as introduced for the change in the support position funding methodology (\$340.9 million), the elimination of the school construction grants program (\$27.5 million), and the elimination of the school construction component funded from the Lottery Proceeds Fund (\$55.8 million).

Additional federal dollars for existing funding streams (i.e. \$290.2 million over two years for the Individuals with Disabilities Education Act, \$213.2 million over two years under Title I of the Elementary & Secondary Education Act for services for economically disadvantaged students, \$10.8 million for Educational Technology, \$1.0 million for Education for the Homeless, and \$2.2 million for School Lunch Equipment) will also be available under ARRA.

- ***Support Position Funding Methodology.*** Reflects savings of \$340.9 million GF in FY 2010 via a funding cap based on the ratio of the total number of funded SOQ support positions relative to the number of funded instructional-based SOQ positions. The cap is based on the ratio of one support position per 4.03 SOQ funded instructional positions. This ratio is based on a linear weighted average of the latest three fiscal years (2005, 2006, and 2007) of SOQ recognized instructional and support positions as reported by school divisions on the Annual School Report. By applying the 1 to 4.03 ratio, funding is provided for the affected support positions at a rate of 18.71 positions per 1,000 students in ADM. This position funding level was determined by applying the one support position to a 4.03 instructional position ratio to the estimated 75.39 SOQ instructional positions per 1,000 students in FY 2010. The funding cap is not applied to the following support positions: division superintendent, school board members, school nurses, or school bus drivers.

The Department of Education (DOE) is directed to calculate the rebenchmarking cycle for the 2010-12 biennium in two ways: (i) including the support cap methodology and (ii) excluding the support cap, and report the calculations to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees, and the Board of Education by September 1, 2009. In addition, the State Board of Education is directed to “review the current Standards of Quality to evaluate the appropriateness of the existing staffing standards for instructional positions and the appropriateness of establishing ratio standards for support positions, with the objective of maximizing resources devoted to the instructional program” and submit findings and recommendations to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees, and the Joint Subcommittee on Elementary and Secondary Education Funding by November 1, 2009.

In addition, DOE is directed to review state laws, regulations, and procedures that could be modified, reduced or eliminated in an effort to reduce the administrative burden on local school divisions and the Department and submit the findings from this review to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2009.

- ***School Construction Grants Program.*** Eliminates \$27.5 million GF the second year for school construction grants.
- ***Lottery Funded Programs.*** The Lottery funds are distributed to school divisions for the following programs for FY 2009: Remedial Summer School, Foster Care, Enrollment Loss, At-Risk, VPI, Early Reading Intervention, Mentor Teacher, K-3 Class Size Reduction, School Breakfast, and SOL Algebra Readiness. After the state's share of these programs are funded, the remaining balance is distributed based on a per pupil basis via the Additional Support for School Construction and Operating Costs account.

For FY 2010, the adopted budget reassigns the following program accounts previously funded with general funds: Regional Alternative Education, ISAEF, Special Education - Regional Tuition, Vocational Education - Categorical, NCLB/EFAL, Project Graduation, and Supplemental Basic Aid. The budget also reinstates Remedial Summer School back into the general fund. The net effect (not including retaining Enrollment Loss) was a \$55.8 million GF savings in the second year.

The remaining \$60.8 million in Lottery funds is allocated based on a per pupil basis of \$90.87 via the Additional Support for School Construction and Operating Costs account. The adopted budget waives local match requirement and the requirement that at least 50 percent be used for nonrecurring expenses.

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

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

- ***Technical Update for Participation, Special Enrollments, and Test Scores to Incentive, Categorical and Lottery Accounts.*** Reduces funding \$2.0 million GF in the first year and \$1.7 million GF in the second year based on actual student participation in the current year for certain incentive and categorical programs.
- ***Incentive Programs Technical Updates.*** Includes technical updates to the following four programs: Alternative Education, Governor's Schools, Special Education - Regional Tuition and VPSA Technology. Funding is reduced by \$240,434 in FY 2009 and increased by \$236,699 in FY 2010.
- ***Categorical Programs Technical Updates.*** Includes technical updates to the following four programs: Special Education - Homebound, Special Education - State Operated Programs, Special Education - Jails, and American Indian Treaty Commitment. Funding is reduced by \$1.7 million in FY 2009 and by \$1.9 million in FY 2010.
- ***Lottery-Funded Programs Technical Updates.*** Includes technical updates to the following five programs: Remedial Summer School, K-3 Primary Class Size Reduction, Early Reading Intervention, School Breakfast and Foster Care. In addition, the adopted budget maintains the assumed participation levels for the Virginia Preschool Initiative adopted by the 2008 General Assembly. After the state's share of Lottery-funded programs are calculated, the remaining balance is distributed on a per pupil basis via the Additional Support for School Construction and Operating Costs account.
- ***Revised Lottery Forecast.*** Revises downward the estimate of projected Lottery Proceeds Fund revenue by \$30.5 million in FY 2009 and by \$30.8 million in FY 2010, resulting in net totals of \$430.5 million and \$430.2 million respectively. The revised total for FY 2009 is inclusive of \$300,000 which was brought forward as an unallocated available balance from FY 2008.
- ***Special Education Data Correction.*** For FY 2010, adds \$6.8 million to cover the cost of correcting the special education student totals.
- ***Revised Sales Tax Revenue Estimate and Basic Aid Off-Set.*** The net sales tax revenues from the one cent portion and the additional one-eighth cent sales tax from the Public Education SOQ/Real Estate Property Tax Relief Fund that are dedicated for public education and distributed based on school-aged population have been revised downward based on the reforecast of sales tax estimates.

The revised sales tax revenue estimates are budgeted at \$1,107.9 million in FY 2009 and \$1,135.2 million in FY 2010, reflecting the mid-session reforecast and all tax policy actions adopted in the 2009 session, down \$86.8 million and \$120.0 million, respectively, from the forecast reflected in Chapter 879 of the 2008 Acts of Assembly. These reduced amounts are offset by an increase in state funding in the

basic aid account resulting in a net reduction of \$38.0 million in FY 2009 and \$52.6 million in FY 2010.

- ***Update Triennial Census Data.*** For FY 2010, adds \$4.6 million to reflect updates from the 2008 Triennial School Census data of school-aged population.
- ***Eliminate Compensation Supplement.*** The adopted budget eliminates the 2 percent compensation supplement payment in Chapter 879 of the 2008 Acts of Assembly for instructional and support positions, to be effective July 1, 2009. This action will save a net \$71.6 million GF in the second year.
- ***Increase Literary Fund Transfer for Teacher Retirement.*** The adopted budget supplants general funds with Literary Funds to support the state share of the cost for teacher retirement by an additional \$42.6 million in FY 2009 (from \$186.1 million to \$228.7 million), and by an additional \$11.9 million, (from \$111.1 million to \$123.0 million) in FY 2010. These actions do not affect division per pupil amounts or projected entitlements for VRS retirement.
- ***Interest Rate Subsidy Program.*** Language in the adopted budget authorizes the Virginia Public School Authority to provide approximately \$8.6 million in FY 2009 and \$0.0 in FY 2010 from the Literary Fund for the interest rate subsidy program for projects on the First Priority Waiting List, down from \$30.0 million in FY 2009 and \$20.0 million in FY 2010 in Chapter 879 of the 2008 Acts of Assembly.
- ***Update Group Life and Retiree Health Care Credit Rates.*** The adopted budget reflects lower employer contribution rates in the second year for Group Life from 0.33 percent to 0.27 percent for a \$1.7 million GF savings and for the Retiree Health Care Credit from 1.08 percent to 1.04 percent for a \$1.0 million GF savings.
- ***State-Operated Programs.*** Although the adopted budget does not reflect the closure of either the Southwestern Virginia Mental Health Institute's Adolescent Unit (in Smyth County) or the Commonwealth Center for Children and Adolescents (in Staunton) as proposed in the introduced budget, the adopted budget reduces funding for educational services for students who are temporarily in mental health facilities by \$679,000. In the event that this funding is needed to provide educational services to students and is not provided from another source, such as federal special education funds, or restored in the 2010 Appropriation Act, funds for all state-operated programs would be prorated accordingly.
- ***Supplemental Education Assistance Programs.*** The adopted budget reduces funding to the following programs in the second year: Career and Technical Education Resource Center by \$108,210; Jobs for Virginia Graduates by \$60,263; Small School Division Assistance (Norton City school division) by \$54,104; Southside Virginia Technology Consortium by \$25,700; Southwest Virginia Public Education Consortium by \$54,105; Virginia Career Education Foundation by \$13,526; and the Van Gogh Outreach program by \$13,222.

The adopted budget adds \$250,000 GF the second year for the Greater Richmond Area Scholarship Program, Inc. to provide students and families in need access to financial aid scholarships and counseling.

- ***Fully Fund Expected National Board Certification Program.*** For FY 2010, adds \$1.0 million to account for expected growth in the number of teachers eligible for bonuses due to certification from the National Board of Professional Teaching Standards.
- ***Allow Remaining Funds from FY 2009 to Carry Over to FY 2010.*** The adopted budget allows any division that has met its FY 2009 required local effort for the SOQ or required local match for incentive, school construction, or Lottery-funded programs to carry over any unused state funds into FY 2010.
- ***Flexibility for Use of Lottery and School Construction Escrow Funds in FY 2010.*** The adopted budget provides flexibility for divisions to withdraw funds from local escrow accounts to pay for recurring operational expenses incurred by the division in FY 2010. Localities are not required to provide a local match of the withdrawn funds.
- ***Other Flexibility Provisions.*** The adopted budget provides school divisions with flexibility in FY 2010 to hire full-time specialists and additional teachers using Instructional Technology, Early Reading Intervention, SOL Algebra Readiness, and SOQ Prevention, Intervention, and Remediation funds for related supplemental curriculum assistance to students during the regular school day.

The adopted budget waives the local required match for textbooks and allows school divisions to use their textbook allocation for other educational expenses. This is a one-time action for FY 2010.

Localities are encouraged to allow school boards to carry over any unspent local allocations into the next fiscal year and to appropriate state and local funds for public education in a lump sum.

- ***Medicaid Reimbursement for Special Education Expenditures.*** The adopted budget directs DOE to encourage localities to apply for Medicaid reimbursements for eligible special education expenditures.
- ***Joint Legislative Subcommittee on Elementary and Secondary Education Funding.*** The adopted budget expands from four to “up to” five members each from the House Appropriations and Senate Finance Committees, adds a reporting date of December 1, 2009, and directs the subcommittee to “review the methodology for establishing a consistent funding cap process for all state funded instructional and certain support positions.”
- ***The Revised Estimated Funding for FY 2009 and FY 2010 Direct Aid to Public Education, Shown by Locality, is Included as Appendix A and B.***

- **Department of Education (Central Office)**

- ***Interstate Compact for Educational Opportunity for Military Children.*** Adds \$200,000 GF and 1.0 FTE in the second year for personnel, fees and travel expenses associated with the Interstate Compact for Educational Opportunity for Military Children, established pursuant to Chapter 187 of the 2009 Acts of Assembly (House Bill 1727).
- ***Eliminates Funding for Civics Education Commission.*** Eliminates funding for Civics Education Commission which administers civics education programs and training to divisions for an \$81,000 GF savings each year.
- ***Reduces Partnership for Achieving Success Schools (PASS).*** Reduces funding for PASS which supports business and community involvement in PASS sponsored schools for a savings of \$65,000 GF each year from the adopted annual allocation of \$274,573.
- ***Reduces VITA Funding.*** Reduces funding in FY 2009 for the VITA comprehensive services bill due to pre-payment of \$497,273, made in FY 2008. A second action further reduces funding needed for VITA by \$25,000 in FY 2009 and by \$50,000 in FY 2010 from decreasing the number of agency computers through increased use of docking station laptops.
- ***Supplant General Funds with Federal Funds.*** A number of actions use a total of \$1.4 million in FY 2009 and \$1.1 million in FY 2010 of federal dollars to supplant general fund allocations:
 - Use of \$308,333 in FY 2009 and \$200,000 in FY 2010 for the academic review process which supports school improvement activities in designated divisions or schools.
 - Use of \$295,488 in FY 2009 and \$200,000 in FY 2010 for the development of the EIMS computer application.
 - Use of \$182,892 in FY 2009 and \$101,395 in FY 2010 for intensive school improvement activities in PASS designated schools.
 - Use of \$143,236 each year for two positions staffing the Schools for Students with Disabilities Fund.
 - Use of \$50,033 each year for the Virginia Teachers Corps program used for program oversight and targeted training grants.
 - Use of \$400,000 each year for four education specialist positions working with the federal career and technical, special education and No Child Left Behind programs.

- ***Variety of Personnel Actions.*** The adopted budget reflects the following actions for a savings of \$2.2 million GF in FY 2009 and \$2.6 million GF in FY 2010:
 - Eliminates 12 vacant education specialists general fund positions for a savings of \$1.2 million each year.
 - Eliminates 11 general fund classified positions (layoffs) for a savings of \$417,083 in FY 2009 and \$935,000 in FY 2010.
 - Reduces funding for wage positions by eliminating positions and reducing hours which saves \$400,000 each year.
 - Transfers the Workforce Transition Act (WTA) expenses associated with terminating employees eligible for retirement, in lieu of severance, from the Central Office over to the Virginia Retirement System Fund which saves \$145,235 the first year.
 - Reduces the administrative funding by 50 percent for Governor’s Schools, foreign language academies, and SOL revisions process which saves \$63,388 each year.
 - Removes the one-half percent pay practices funding granted to Executive branch agencies in the prior biennium which saves \$58,098 the second year.
- **Virginia Schools for the Deaf and Blind at Staunton**
 - ***Three Personnel Adjustments.*** The adopted action 1) eliminates five academic support general fund positions for a savings of \$310,426 GF; 2) reduces residential and maintenance staff contract periods from 12 to 9.5 months to save \$40,000 GF the second year; and 3) removes the one-half percent pay practices funding granted to Executive branch agencies in the prior biennium which saves \$22,767 GF the second year.
 - Supplant general fund allocations with annual tuition reimbursements from local school divisions for two support staff positions which saves \$125,916 GF the second year.
 - Increase nongeneral fund appropriation by \$100,000 NGF the second year from a federal special education grant.
 - Increase submission of federal funds for Medicaid reimbursements to defray the costs of psychology and audiology services usually funded by the general fund which generates a savings of \$50,000 GF the second year.
 - Reduce utilities and insurance associated with the planned demolition of the Carter Hall dormitory, increasing campus wide energy efficiencies, and closing the unoccupied superintendent residence for a second year savings of \$137,116 GF.

- Consolidate two Northern Virginia bus routes into one route for a \$15,746 GF savings the second year.
- Freeze new student enrollment at the October 9, 2008, total of 132 students for a savings of \$15,746 GF the second year.