

## Public Education

The Governor's proposed 2000-02 budget for Direct Aid to Public Education contains an increase of \$615.9 million GF over the adjusted appropriations for current operations. The Governor's proposed budget also includes the transfer of \$110.0 million GF in school construction funds from Central Accounts to Direct Aid to Public Education for the 2000-02 biennium. Finally, a net addition of \$27.7 million GF is recommended for the Department of Education, along with increased funding of \$12.0 million GF for the Comprehensive Services Act to reflect caseload growth.

The \$615.9 million GF increase recommended for direct aid to public education includes formula-driven and technical changes of: \$547.2 million GF to update the Standards of Quality accounts for increased enrollment, prevailing costs of education, sales tax revenues and updated composite index calculations, and \$29.8 million to update costs and participation rates in a number of categorical and incentive programs.

In addition, there is a transfer of \$110.0 million GF in school construction funds from central accounts to Direct Aid to Public Education.

Also included in the \$615.9 million are initiatives totaling \$38.9 million: \$15.5 million GF to expand the Early Reading Intervention Program; \$10.3 million GF for the general fund portion of an educational technology program; \$9.1 million GF in the second year for a new remedial math program in middle schools; \$3.4 million GF to comply with new federal special education regulations; and \$0.6 million GF to expand the Teacher Mentor Program and establish a Governor's School for Agriculture.

A nongeneral fund contribution of \$41.2 million the first year and \$43.6 million the second year from the Literary Fund is recommended to support an educational technology program.

In the Department of Education, increases totaling \$27.7 million GF are recommended: \$11.2 million GF and 3.0 FTE to address various Standards of Learning testing concerns; \$6.3 million GF and 6.0 FTE to implement a statewide web-based computerized instructional and testing system; \$4.5 million GF and 5.0 FTE to provide assistance to school divisions in meeting the requirements of the Standards of Accreditation and to provide additional testing staff; \$2.3 million GF and 4.0 FTE to provide support for the expanded Early Reading Intervention and new middle school remedial math programs; \$2.0 million GF to establish alternate tests for special education students; and \$0.9 million GF and 1.0 FTE to establish an Alternative Licensure program for teacher licensure and to continue on-going testing programs.

- **Secretary of Education**
  - **Technical Adjustments.** Adds a net \$50,194 GF the first year and \$50,646 GF the second year to make technical adjustments.
  - **Additional Personnel and Increased Rent and General Liability Premiums.** Adds a net \$40,620 GF and 1.0 FTE the first year and \$41,706 GF and 1.0 FTE the second year to increase the staff in the Secretary’s Office from 5.0 to 6.0 FTE and to provide for increased rent and general liability premium costs.
- **Department of Education**
  - **SOL Testing Improvements.** Increases funding by \$5.5 million GF the first year and \$5.7 million GF the second year and 3.0 FTE to improve the statewide Standards of Learning testing program. Funding is recommended to: field test additional test questions in order to improve the security of the tests and allow the release of “used” test items; provide detailed performance information at the class and student level to allow targeted remediation; furnish school divisions with results of the SOL tests in an electronic form; and increase the number of staff in the Department of Education working with the implementation and maintenance of the SOL tests and SOL report card.
  - **Web-Based Computerized Instruction and Testing.** Recommends \$3.8 million GF the first year and \$2.4 million GF the second year and 6.0 positions in the Department of Education's management information systems division. The funding would provide for: the development of the testing software; testing and validation costs; software license fees; software at the Department; test center costs; manuals; training; and scoring, equating and other test contractor costs. In the first year, the Department would provide the on-site technical support for selected demonstration sites in high schools.
  - **SOA Assistance.** Includes \$2.5 million GF the first year and \$1.9 million GF the second year and 5.0 FTE for the Department to develop assessments and surveys as part of an accountability model and to contract with independent reviewers to provide intensive assistance to schools that receive Accredited with Warning status. The initiative assumes approximately 500 schools each year will require this intensive assistance.
  - **Expand Early Reading Program.** Recommends \$0.8 million GF the first year and \$0.8 million GF the second year and 3.0 FTE to expand the current Early Reading Intervention program. The program was initiated in 1996 to provide additional reading instruction to kindergarten students who have reading deficiencies, as identified by a diagnostic test. This funding would expand those

services into the 1st through the 3rd grades. The Department's additional funding would provide for three reading specialists to implement the program and \$600,000 for the tests. The tests would be given at the beginning of Kindergarten and at the end of Kindergarten, and in 1st and 2nd grades. Additional program funds to school divisions are provided in Direct Aid.

- **Create Math Remediation Program for the Middle Grades.** Adds \$0.7 million GF in the second year to hire one math specialist position and to provide \$600,000 for diagnostic mathematics tests. The tests would be given at the end of the 6<sup>th</sup> and 7<sup>th</sup> grades to identify student deficiencies in math.
- **Alternate Tests for Special Education Students.** Adds funding of \$1.0 million GF each year for the estimated costs of developing tests for all special education students and incorporating those tests into the state's accountability program. The development of alternative assessments for special education students is required under recent amendments to the federal Individuals with Disabilities Act (IDEA).
- **Alternative Licensure Position.** Adds funding of \$0.2 million GF each year to fund one position and provide financial assistance to "career switchers" who want to become teachers. The position would coordinate activities and assist individuals. Funding is also provided to pay for the required schooling of these alternative licensure teachers, assuming 100 participants for 15 credit hours at a cost of \$100 per credit hour.
- **On-Going Testing.** Reduces funding by \$82,408 GF the first year and then adds a net \$595,025 GF the second year for changes in enrollment, the number of tests administered, and the annual test price for the Standards of Learning, Stanford 9, and Literacy Passport tests.
- **Technical Changes.** Provides \$1.3 million GF and \$1.4 million NGF the first year and \$1.4 million GF and \$1.5 million NGF the second year to cover increased rent costs and other technical changes. The increased rent costs are based on projected increases in charges from the Department of General Services for office space maintenance.

- **Direct Aid to Public Education**

- **Technical Increases.** Includes \$135.5 million GF the first year and \$128.1 million GF the second year to make technical adjustments in Standards of Quality funding due to the following:

- ♦ Update Prevailing Instructional Salaries. The data on which prevailing instructional salaries are calculated for the 2000-02 Standards of Quality budget have been adjusted to reflect prevailing salaries in 1997-98 and the 1998-00 salary increases provided by the General Assembly.
  - ♦ Update Prevailing Instructional Support Costs. The data on which prevailing support costs, including textbooks and instructional supplies, are calculated have been updated from 1995-96, using the 1997-98 Annual School Report.
  - ♦ Update Projected Enrollment. The 2000-02 Standards of Quality budget has been calculated using updated estimates of student enrollment. Enrollment is expected to increase by 10,890 students (adjusted ADM) the first year above the revised projected enrollment for 1999-00 and another 10,477 students the second year.
  - ♦ Revised Inflation Factors. Prevailing support costs, updated to reflect 1997-98 actual costs, are adjusted for inflation through the first quarter of 1999.
  - ♦ Revised Fringe Benefits Costs. The 2000-02 Standards of Quality budget has been calculated to reflect revised Virginia Retirement System (VRS) retirement rates approved by the VRS Board which move from 9.04 percent in 1999-2000 to 9.61 percent in the new biennium; Group Life Insurance rates that move from 0.00 percent in 1999-2000 to 0.32 percent for 2000-02; and an increase in Health Care rates from \$2,206 per instructional position in this fiscal year to \$2,296 per instructional position for the 2000-02 biennium.
- **Retiree Health Care Benefit.** Funds an increase of \$9.6 million GF the first year and \$15.0 million GF the second year to reflect a rate change from 0.35 percent to 0.58 percent the first year and 0.68 percent the second year in the health insurance credit for retired teachers and other professional school division employees. The Health Care Credit was first authorized by the 1996 General Assembly, and the benefit, which is mandatory and 100 percent state-funded, was adjusted by the 1999 General Assembly. Payments are made directly to VRS by the Department of Education.
  - **Sales Tax.** Includes \$83.3 million GF the first year and \$134.1 million GF the second year for the estimated revenues available from the one-cent portion of the sales tax which is returned for public education.

- **Textbooks.** Recommends an additional \$14.3 million GF the first year and \$14.6 million GF the second year to update the cost of providing textbooks for students. The calculated cost per pupil has been increased from \$38.59 to \$61.25 in the new biennium.
- **Enrollment Loss.** Adds \$2.9 million GF the first year and \$3.3 million GF the second year to increase Enrollment Loss funding. Enrollment Loss funding is provided to buffer the impact of funding losses in school divisions with declining enrollment. A total of 68 school divisions are projected to have lower enrollments in each year of the biennium.
- **Remedial Summer School.** Reduces by \$0.4 million GF the first year and increases by \$6.8 million GF the second year the appropriations for remedial summer school. The enrollment in remedial summer school has grown since the adoption of revised Standards of Learning and Standards of Accreditation, and is projected to continue increasing over the course of the new biennium. Enrollment in the program is projected based on historical enrollment data. The per pupil amount is \$328.
- **Update Incentive-Based Programs.** Recommends \$8.0 million GF the first year and \$7.2 million GF the second year to update the costs of a variety of incentive-based programs in Direct Aid to Public Education, due to changes in enrollment, the composite index, and participation in the federal free lunch program. The incentive-based programs include: Lottery, Maintenance Supplement, At-Risk funding, K-3 Class Size Reduction, At-Risk Four-Year-Olds, Early Reading Intervention, SOL Teaching Materials Supplement, SOL Remediation, Additional Teachers, SOL Teacher Training, Truancy, Health Incentive Fund, and GED funding.
- **Update Categorical Programs.** Recommends \$4.8 million GF the first year and \$9.8 million GF the second year to update the costs of a variety of categorical programs in Direct Aid to Public Education, due to changes in enrollment, participation rates, and the composite index. The affected categorical programs include: Homebound Instruction, Hospitals, Clinics & Detention Homes, Regional Tuition, Advancement Via Individual Determination, Foster Care, Alternative Education, and Governor's Schools. Included in this total is an increase for the English as a Second Language program -- \$1.7 million GF the first year and \$1.8 million GF the second year due to expected enrollment growth. Increases for the Governor's Schools reflect additional enrollment and an increase in the per pupil add-on from the state share of \$2,900 to \$3,185 per pupil.

- **Transfer School Construction.** Recommends transferring the \$55.0 million GF annual appropriation for school construction funding passed during the 1998 Special Session from Central Accounts to Direct Aid to Public Education.
- **Expand Early Reading Intervention Program.** Adds \$7.8 million GF each year to expand the early reading intervention program from Kindergarten to all grades K-3. Funding is based on the provision of 2.5 hours of additional instruction each week for 36 weeks, at a student to teacher ratio of 5 to 1. The assumed participation rate is based on the number of students participating in the federal free lunch program multiplied by 100 percent in kindergarten, 50 percent in the first and second grades, and 25 percent in the third grade. In the second year, the Department of Education is directed to adjust the funding based on actual student performance on diagnostic tests in the first year. Funding for the diagnostic tests and staff is recommended in the Department of Education budget.
- **Math Remediation for the Middle Grades.** Adds \$9.1 million GF the second year to provide additional instruction to students who have deficiencies in math. Funding is based on a program for 7<sup>th</sup> and 8<sup>th</sup> grade students, with a student to teacher ratio of 10 to 1. Schools would receive funding based on the percent of students who did not pass the 8<sup>th</sup> grade math SOL test in 1998. Funding is included in the Department to create and administer diagnostic tests at the end of the 6<sup>th</sup> and 7<sup>th</sup> grades.
- **Technology Plan.** Recommends \$360,000 GF and \$41.2 million in Literary Funds the first year and \$9.9 million GF and \$43.6 million in Literary Funds the second year to implement a statewide internet-based computerized testing and instructional system for high schools by the 2003 school year. Similar funding is anticipated for the first year of the 2002-2004 biennium.

Funding is provided in three ways:

- 1) The general funds will be distributed on a per pupil basis with a required local match based on the composite index of ability-to-pay. First year funding is included for selected demonstration sites in local high schools that are ready to administer computerized testing. Statewide funding in the second year assumes 322,106 high school (grades 9-12) students.
- 2) The Literary Fund monies will not require a local match, and 30 percent will be distributed on a flat per pupil amount for the estimated number of high school students.

- 3) The remaining 70 percent of the Literary Fund monies will be allocated to eligible high schools to achieve a 5:1 student:computer ratio; an internet-ready local area network capability; and Network Virginia or equivalent speed internet access.

To receive the 70 percent distribution, the schools will have to:

- a) be deemed deficient in these areas; and
- b) submit a plan for the use of the funds to the Department of Education by August 1, 2000.

The format of the required plan will be prescribed and approved by the Secretaries of Education and Technology, and will include certifications by the local school divisions that they: will be capable of administering the Standards of Learning tests on computers in high school by May 1, 2003; will appropriate local funds to match the general funds provided; will review any SOL software they purchase and provide a write-up of their use for other divisions to see; and, will maximize their use of federal E-Rate funds to reduce the cost of their technology plan.

The Secretary of Technology, the Department of Education and the Board of Education are directed to develop criteria to determine if a high school is "SOL test-ready." The Office of the Secretary of Technology will provide project management for the technology program.

Finally, language directs the Secretary of Technology and the Department of Education to study the feasibility and cost of expanding this program to the middle and elementary school levels.

The projected sources and uses of Literary Fund revenues are listed below.

**Literary Fund Sources & Uses -- 2000-2002 Biennium  
(Dollars in Millions)**

<u>Sources</u>	<u>FY 2001</u>	<u>FY 2002</u>
Beginning Balance	\$ 1.3	\$ 2.9
Projected Revenues	120.8	131.9
 <u>Uses</u>		
Teacher Retirement	0.0	0.0
Equipment Notes	39.0	38.9
Transfer to School Constr.	9.0	9.0
Proposed Technology Plan	41.2	43.6
Interest Rate Subsidy Grants*	30.0	20.0
Direct Loans	<u>0.0</u>	<u>22.0</u>
Total Uses	\$119.2	\$133.5
 Annual Balance	 \$ 2.9	 \$ 1.4

\* Interest Rate Subsidy Grants are used in conjunction with VPSA bonds to leverage school construction funds (four to five times the amount of the grant depending on the interest rate achieved on the VPSA bonds). This program is used to take projects off the Literary Fund First Priority Waiting List.

Currently, \$228.3 million in projects are on the Literary Fund Waiting List. DOE estimates that an additional \$475.0 million in projects will be approved for the Waiting List between now and the end of the 2000-02 biennium. Using interest rate subsidies in each year of the biennium and in FY 2000, the budget assumes that a total of \$344.4 million in projects on the Waiting List will be funded by the end of the 2000-02 biennium.

- **Special Education Services in Jails.** Includes \$1.7 million GF each year to provide 100 percent state funding for the provision of special education services to all eligible students incarcerated in regional and local jails. This funding is a requirement under the amended federal Individuals with Disabilities Education Act (IDEA).
- **Expand Mentor Teacher Program.** Includes \$0.2 million GF each year to provide mentor teachers who will assist new alternatively-licensed teachers. The Department of Education projects 100 new alternatively-licensed teachers for each year of the biennium. Increased funding would provide school divisions with \$2,000 for



each mentor, \$1,000 of which would be a stipend for the mentor teacher. The other \$1,000 would pay for training and teaching materials for the alternatively-licensed teacher.

- **Lottery Proceeds Revenue Sharing.** Continues the division of Lottery proceeds between the Basic Aid (61 percent) and the Revenue Sharing (39 percent) programs. Continues the Lottery Hold Harmless payments (renamed Direct Grants) contained in Chapter 935 for FY 2000. Continues the requirement for a local match based on the composite index of ability-to-pay and the requirement for a maintenance of effort in education spending by local governments, but does not include restrictions on the allowable use of funds other than for education purposes.
- **Governor's School for Agriculture.** Includes \$75,000 GF each year to establish a new Governor's School for Agriculture.

A listing, by locality, of proposed funding for Direct Aid to Public Education is provided in Appendix A and Appendix B.

- **Comprehensive Services Act**

- **Caseload Growth.** Adds \$12.0 million GF and \$17.2 million NGF the first year for program growth. In HB/SB 29, \$12.8 million GF is added to address a shortfall for the current fiscal year. Therefore, the general fund amount added in HB/SB 30 level funds the program in the first year, with the assumption that any program growth the first year can be covered by the non-general fund (Medicaid) collections for therapeutic foster care and residential services. Medicaid coverage of these services will begin January 1, 2000. Second year funding is not addressed pending the outcome of a study outlined below, and therefore remains below the recommended amount for FY 2001.
- **Study of Expenditure Growth Requirements.** Directs the Department of Planning and Budget, in conjunction with the Office of Comprehensive Services, to examine expenditure growth for the program and submit a report to the Governor for an appropriate funding level in the second year of the biennium. Language requires that the second year appropriation be unallotted until the report is received.

- **Virginia School for the Deaf and the Blind (Hampton)**

- **Technical Adjustments.** Adds a net \$388,332 GF the first year and \$395,445 GF the second year to make technical adjustments and increase funding for general liability premiums.

- **Virginia School for the Deaf and the Blind (Staunton)**
  - **Technical Adjustments.** Adds a net \$443,512 GF the first year and \$530,615 GF the second year to make technical adjustments and increase funding for general liability premiums.
  - **Increases.** Adds \$95,990 GF the first year and \$95,990 GF the second year to provide for the education, supervision and safety of blind students with identified specialized needs.