

## Public Education

The Governor's recommended amendments for Direct Aid to Public Education result in a net decrease of \$189.1 million GF for the biennium when compared to the original appropriation. This total reflects new spending of \$14.7 million off-set by \$203.8 million in reductions. The general fund reductions include a proposed \$119.4 million fund switch whereby Literary Fund revenues would be used in lieu of general funds for the School Construction program each year and for the Maintenance Supplement payments the first year. A net reduction of \$2.9 million GF is recommended for the Department of Education, reflecting \$1.5 million in increased funding for enhancements to the Standards of Learning testing program and \$4.4 million in reductions through executive management savings.

- **Department of Education**

- ***On-Going SOL Testing Program.*** Includes \$1.5 million GF the second year to expedite retesting of students who narrowly fail one or more of the high school Standards of Learning end-of-course tests (\$914,863). In the 1998-99 school year, roughly 56,000 students would have been eligible for retesting under the Board of Education's adopted guidelines. The funding also provides for students who fail a SOL test but still advance in grade to retake the test after remediation (\$543,553).
- ***Local Scoring of SOL Tests.*** Includes language authorizing the department and local school divisions to enter into contractual arrangements to establish local and regional SOL test scoring, provided costs associated with local and regional scoring are borne by the participating local school divisions.
- ***Distribution of Central Appropriations Productivity Savings.*** Distributes \$2.0 million GF of the productivity savings to the Department of Education that was approved in the Central Appropriations of Chapter 1073.
- ***Executive Management Savings.*** Reduces the Department of Education's Central Office budget by \$700,152 GF the first year and \$1.4 million GF the second year. An additional decrease of \$182,487 GF the second year assumes there will be a 10 percent reduction in the funding needed for SOA Academic Review teams.
- ***Transfer Appropriation for Career Switcher Program.*** Transfers the \$100,000 GF second year appropriation for the Career Switcher Alternative Licensure program from Direct Aid.

- **Direct Aid to Public Education**

- **Technical Adjustments.** Includes technical adjustments which result in a net decrease of \$7.0 million GF the first year and a net increase of \$7.9 million GF the second year.

Projected Enrollment. Increases funding for Direct Aid to reflect updated estimates of student enrollment based on the September 30, 2000, Fall Membership child count. It is estimated that 1,456 more students than had been projected will be enrolled in Virginia's public schools in FY 2001, and that 2,660 more students will be enrolled in FY 2002.

The updated enrollment changes funding for a number of accounts in Direct Aid, including: Retirement; Social Security; Group Life; Basic Aid; Salary Supplement; Textbooks; Gifted Education; Vocational Education; Special Education; the Standards of Learning Teacher Training; Enrollment Loss; Remedial Education; At-Risk funding; Maintenance Supplement; Standards of Learning Teaching Materials; Additional Teachers; Standards of Learning Remediation; Health Incentive Grants; Early Reading Intervention; At-Risk Four-Year-Olds; and English as a Second Language. Funding adjustments also are made in some incentive accounts based on actual participation rates.

Sales Tax Estimate and Basic Aid Off-Set. Decreases funding for Direct Aid from the one-cent of sales tax that is returned for public education, due to a downward revision of the sales tax estimate. The projected sales tax loss of \$18.9 million in FY 2001 and \$11.6 million in FY 2002 will be partially off-set by an increase in required state Basic Aid funding.

- **VRS Rate Reduction.** Decreases funding for Direct Aid by \$64.9 million GF the second year to reflect lower rates adopted by the Virginia Retirement System Board for the current biennium.

In addition, savings of \$7.7 million GF were moved administratively to the Central Appropriations in the first year as a result of lower rates. Local savings will occur from these rate reductions, as well.

- **Retiree Health Care Credit.** Decreases funding for Direct Aid by \$19.4 million GF the second year to reflect proposed changes in the way the Retiree Health Care Credit is funded. Currently, the credit is funded 100 percent by the state. Proposed amendments apply the Standards of Quality funding formula to the credit, thereby

reducing state costs by calculating a local share and by applying the credit only to state SOQ positions.

- **Literary Fund Diversion.** Proposes supplanting \$64.4 million GF the first year and \$55.0 million GF the second year with Literary Fund revenues. The Literary Fund revenues will be used to make School Construction Grants and Maintenance Supplement payments.

<b>Literary Fund Sources &amp; Uses – 2000-02 Biennium (Dollars in Millions)</b>		
<b>Sources</b>	<b>FY 2001</b>	<b>FY 2002</b>
Balance Brought Forward	\$ 2.3	\$ 13.5
Interest	13.5	7.4
Fines & Forfeitures	48.7	48.7
Unclaimed Property	21.5	17.7
Lottery Transfer	9.0	9.0
VPSA Transfer	<u>40.7</u>	<u>48.4</u>
<b>Total Sources</b>	<b>\$135.7</b>	<b>\$144.7</b>
<b>Uses</b>		
Interest Rate Subsidy	\$ 18.8	\$ 20.0
Technology Debt Service	39.0	52.6
Literary Fund Bond Debt Service	0.0	12.0
Diversion to School Construction	55.0	55.0
Diversion to Maint. Supplement	<u>9.4</u>	<u>0.0</u>
<b>Total Uses</b>	<b>\$122.2</b>	<b>\$139.6</b>

Amendments also propose allowing the Literary Fund to retain \$9.0 million per year in unclaimed Lottery prizes to partially offset debt service on up to \$120.0 million in Virginia Public School Authority (VPSA) bonds. VPSA bonds are authorized to provide funding for loans to school divisions on the Literary Fund First Priority Waiting List. There currently are 41 projects on the list which total \$125.7 million.

The VPSA bonds will be repaid annually with revenues of the Literary Fund. The bonds also would carry a sum sufficient debt service appropriation from the general fund.

- **Additional Lottery Revenues.** Adds a net \$4.3 million GF the first year and \$908,637 GF the second year to reflect additional Lottery revenues that will be distributed to localities. These increases are the result of four separate actions: (1) an increase of \$13.2 million in actual FY 2000 Lottery revenues; (2) increases in the estimate of FY 2001 and FY 2002 Lottery revenues of \$3.7 million and \$3.8 million, respectively; (3) reductions in the Lottery Hold Harmless payments of \$2.2 million the first year and \$549,750 the second year; and (4) allocation of an additional \$10.3 million of the Lottery funds to support Basic Aid Payments the first year and \$2.3 million the second year.
- **Expand Academic Challenge Program.** Adds \$6.0 million GF the second year to support students attending schools “Provisionally Accredited/Needs Improvement” or “Accredited with Warning.” The program was instituted administratively this year with \$1.2 million GF in Direct Aid balances from FY 2000. Current year funding provides for 150 additional hours of instruction to students at the 173 schools which are “Accredited with Warning” in math and English. The proposed amendment expands the program in FY 2002 to include students in schools that are “Provisionally Accredited/Needs Improvement.”
- **Expand SOL Algebra Readiness Program.** Increases funding by \$2.6 million GF the second year for the SOL Algebra Readiness program to reduce the funded pupil-to-teacher ratio from 10-to-1 to 8-to-1. An additional \$1.6 million GF increase the second year is included in the Direct Aid amendments to reflect updated enrollment and test results. The SOL Algebra Readiness program was approved during the 2000 Session for implementation in FY 2002 at \$8.7 million GF. These amendments increase total funding to \$12.9 million GF.

Schools will receive funding based on the percent of students who did not pass the 5<sup>th</sup> and 8<sup>th</sup> grade math SOL tests in the Spring of 2000.

- **Teacher Salary Increase Language.** Includes language encouraging school divisions to use savings from the VRS rate reductions to provide teacher salary increases and benefits in the second year.
- **Transfer Appropriation for Career Switcher Program.** Transfers the \$100,000 GF second year appropriation for the Career Switcher Alternative Licensure program to the Department of Education’s Central Office budget.

- ***Increase School Food Program Funding.*** Increases funding by \$10.0 million NGF the second year to reflect anticipated additional federal revenues in support of a new snack program under the federal school food program.
- **Virginia School for the Deaf, Blind and Multi-Disabled at Hampton**
  - ***Productivity Savings.*** Distributes \$75,447 GF the first year and \$183,126 GF the second year of the productivity savings to the School that was approved in the Central Appropriations of Chapter 1073.
- **Virginia School for the Deaf and the Blind at Staunton**
  - ***Productivity Savings.*** Distributes \$40,841 GF the first year and \$124,282 GF the second year of the productivity savings to the School that was approved in the Central Appropriations of Chapter 1073.