

Public Education

The approved FY 2002-04 budget for Direct Aid to Public Education results in a net increase of \$25.5 million GF and \$168.6 million NGF for the biennium when compared to the original appropriation in Chapter 899. This total reflects new general fund spending of \$115.5 million offset by \$90.0 million in general fund reductions. Additional Literary Fund revenue in the amount of \$54.9 million supplants general funds for a portion of teacher retirement and Social Security payments. Increased appropriation authority is included for anticipated federal funding of \$113.3 million NGF, and an additional \$0.5 million from the Literary Fund is included as a technical adjustment for technology equipment debt service.

Adopted increases include technical adjustments of \$44.6 million GF to return the local share of increased lottery proceeds; \$31.7 million GF to update the Standards of Quality incentive and categorical accounts for updated enrollment and participation projections; and, a net \$7.2 million GF from the effects of changing the distribution of sales tax consistent with the results of the 2002 Triennial Census. Also included is \$27.5 million GF as the state share of a 2.25 percent teacher salary increase effective January 1, 2004.

In addition to the transfer of \$54.9 million from the Literary Fund, a number of funding reductions are adopted. Savings of \$6.8 million come from the elimination of the Technology Assistants and School Health Incentive programs. Savings of \$1.1 million GF are from the elimination of general funds for migrant education and the Western Virginia Public Education Consortium and from general fund reductions to other similar small special programs such as Project Discovery and the Southside and Southwest education consortia. The remaining reductions are technical updates, including: a net \$13.5 million GF to reflect lower sales tax revenues from those assumed in Chapter 899; \$6.4 million GF for updated participation in other incentive and categorical accounts; and \$3.1 million GF due to updated inflation factors.

Also included is a new Student Achievement Block Grant. Funding from the Dropout Prevention Program is redirected to the new block grant. School divisions can choose to use the grant for any of the following existing programs: K-3 Reduced Class Size, Early Reading Intervention, At-Risk Four-Year-Olds, SOL Remediation, and Dropout Prevention.

The approved budget includes a net decrease of \$6.2 million GF for the Department of Education. Reductions of \$8.8 million include \$2.0 million GF in the state's assessment program, including a delay in the full implementation of web-based SOL testing and the elimination of the Stanford 9. A total of 32.0 GF

FTEs were eliminated, including 6.0 from the closure of the two remaining Best Practice Centers, while 25.0 new federal funded FTEs were added, for a net loss of 7.0 FTEs within the department. General fund increases in the Department total \$2.6 million, from a net increase of \$1.9 million to fund the administration of separate history SOL tests and \$769,483 to replace federal funding currently being used to support the PASS initiative.

The adopted budget includes a reduction of \$1.0 million GF for the School for the Deaf, Blind and Multi-Disabled in Hampton and a reduction of \$685,123 GF for the School for the Deaf and Blind in Staunton. The reduction for the Staunton school is offset by a \$470,000 GF increase to pay for a temporary boiler to heat the school. Language is included establishing a task force that will develop a plan to consolidate services for those children currently served by the two schools.

- **Secretary of Education**

- **October Reductions.** The budget adopts the October reduction of \$35,718 and 1.0 FTE the first year and \$47,771 and 1.0 FTE the second year from eliminating a vacant position.

- **Department of Education**

- **October Reductions.** Reduces funding by \$5.9 million GF and 21.0 FTE as detailed below.
 - **Web-based Standards of Learning (SOL) Testing.** Reduces funding by \$1.4 million GF in FY 2004 by anticipating less utilization of on-line SOL tests, leaving \$3.6 million GF to meet the demands of high schools ready for this testing. To be eligible for funding under the initiative, school divisions were required to make a commitment to be capable of administering web-enabled SOL tests in each high school by May 1, 2003. According to the Department, not all school divisions will be ready nor want to proceed with web-based end-of-course testing by FY 2004.
 - **Best Practice Centers.** Reduces funding by \$720,000 GF and 6.0 FTE in the second year by closing the two remaining (of the original eight) Best Practice Centers in Southside and Southwest Virginia effective February 1, 2003.
 - **Teacher Licensure Fees.** Uses special fund balances of \$296,100 the first year and \$307,308 the second year

generated from teacher licensure fees. Although the activity is currently self-sufficient through fees, the reversion could result in a future fee increase.

- **Other Reductions.** Eliminates 15 other positions (resulting in one layoff), reduces discretionary costs, and captures various balances, including in federal funds.
- **Additional Targeted Position Reductions.** Eliminates 11.0 GF FTE that, when added to the October reductions, will result in a total reduction of 32.0 GF FTE. Federally funded positions increase by 25, which include nine positions for the Reading First grant and six positions for the Teacher Quality grant. These actions together result in a net loss of 7.0 FTE.
- **Governor's Partnership for Achieving Successful Schools (PASS) Initiative.** Increases general fund support for the Governor's PASS initiative by \$769,483 to replace federal funds previously used as partial funding for the program. Funds are used for academic reviews and technical assistance to the state's lowest academically performing schools. This action results in a shift in the balance between state and federal funding for the program from 45 percent state and 55 percent federal in FY 2003 to 70 percent state and 30 percent federal in FY 2004.
- **Model Curricula Training.** Eliminates \$75,000 GF for model curricula training in FY 2004. The first year funding for this purpose was reduced through the October actions.
- **Testing Programs.** In addition to the October reduction to the web-based testing initiative, there are several other actions related to the state's assessment program.
 - **Administration of Separate SOL History Tests.** The introduced budget reduced funding by \$977,985 GF in FY 2004. The General Assembly restored \$2.8 million GF in order to allow the administration of separate grades six through eight history testing in FY 2005.
 - **Stanford 9 Assessment.** Reduces funding by \$583,273 GF in FY 2004 by eliminating state funding for the Stanford 9 test (also known as the Virginia Assessment Program), currently given in grades four, six, and nine and the basis for Standards of Quality Remediation funding. The Stanford 9 is

a norm-referenced test, meaning that student performance can be compared against student performance across the country. Virginia also participates in the National Assessment of Educational Progress (NAEP), also a norm-referenced test, which will be required of all states by the federal No Child Left Behind Act.

- **Balances in State-Provided Algebra Readiness Diagnostic Test.** Reduces funding by \$175,000 GF in each year by capturing anticipated cash balances, primarily from a reduction in the contract price for algebra readiness diagnostic testing.
- **Late SOL Test Submissions.** Reduces funding by \$150,000 GF in each year by ending the practice of the state paying the processing fees for late test submissions by school divisions.
- **Balances in National Certification Bonuses.** Reduces funding by \$160,000 GF in FY 2003 and \$297,500 GF in FY 2004 due to lower participation than had been projected (116 teachers receiving the initial bonus of \$5,000 and 115 receiving the continuation bonus of \$2,500 in FY 2003; 143 teachers receiving the initial bonus and 266 receiving the continuation bonus in FY 2004).
- **Technical Support.** Reduces funding by \$35,000 GF in FY 2004 by reducing technical support provided to school divisions and not-for-profit organizations operating At-Risk Four-Year-Olds Programs.
- **Superintendent's Office and Executive Management Costs.** Reduces second year funding by \$50,000 GF in the state superintendent's office and \$100,000 GF in the Department's budget for executive management activities.
- **Conference and Publication Revenues.** Increases NGF revenues by \$100,000 in FY 2004 in anticipation of higher projected revenues for conferences and publications.
- **Federal Funds.** Increases NGF revenues by \$24.4 million in FY 2004 reflecting \$8.2 million in continued State Assessment grants, \$4.5 million in Teacher Quality grants, \$3.8 million in Reading First grants, \$2.0 million in continued Teacher/Principal training grants, \$2.0 million in increased Special Education grants, \$2.0 million in various other No Child Left Behind grants, \$979,085 in new

Community Service grants, \$550,000 in continued Technology grants, and \$460,000 in new 21st Century Community Learning Center grants.

- **Language Amendments.** Includes the following language amendments:
 - Creates a task force to develop a plan for consolidating services for the deaf and/or blind and multi-disabled students served by Virginia's two schools for the deaf and blind.
 - Specifies that caseload standards for speech-language pathologists be included in the Board of Education's review of the SOQ.
 - Restores certain SOL remediation accountability provisions.
- **Direct Aid to Public Education**
 - **Teacher Salary Increase.** Includes \$27.5 million GF in the second year as the state share of a 2.25 percent teacher salary increase, effective January 1, 2004.
 - **Technical Changes to Funding.** Includes technical adjustments, which result in a net increase of \$60.8 million GF over the biennium for Direct Aid to Public Education.
 - **Revised Lottery Proceeds.** Increases the local share of Lottery proceeds by \$28.3 million GF the first year and \$16.3 million GF the second year. The first year increase reflects actual proceeds that exceeded the original estimate by \$38.2 million for FY 2002 and a revised estimate for FY 2003 that is \$33.6 million above the amount estimated in Chapter 899. The revised FY 2004 estimate is \$41.3 million above the estimate in Chapter 899. Also contributing to the higher estimate of proceeds is a 10 percent reduction the first year and a 15 percent reduction the second year in the Lottery Department's administrative budget (see Independent Agencies).
 - **Projected Enrollment and Test Scores.** Increases funding for Direct Aid by \$9.1 million GF the first year and \$22.6 million the second year to reflect updated estimates of student enrollment projections based on the March 31, 2002 Average Daily Membership and the September 30, 2002 Fall Membership child counts. It is estimated that 3,459 more students than had been projected in Chapter 899

will be enrolled in Virginia's public schools in FY 2003, and that 6,904 more students than projected will be enrolled in FY 2004. It is now estimated that 1.2 million students will attend public schools in FY 2004.

The updated enrollment changes funding for the majority of accounts in Direct Aid, including: Basic Aid, Textbooks, Vocational Education, Gifted Education, Special Education, Remedial Education, Retirement, Social Security, and Enrollment Loss.

Embedded in these numbers is a reduction of \$2.7 million GF the first year and \$2.4 million GF the second year for the Early Reading Intervention Program, reflecting lower Fall Membership student counts in the early grades and a shift from using free lunch eligibility to actual test score data for the program's funding formula. (Additional nonparticipation in the program is included in updated participation numbers, see below.)

- **Triennial Census.** Provides funding to cover the increased state share of public education costs from the use of the latest triennial census to distribute the one-cent of sales tax returned for public education – an increase of \$2.3 million GF the first year and \$4.9 million GF the second year. Allocations to school divisions will vary depending on how their change in census compares to the statewide average change in census.
- **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 from that contained in Chapter 899. The projected sales tax loss of \$9.8 million GF in FY 2003 and \$20.7 million GF in FY 2004 will be partially offset by an increase in required state Basic Aid funding, for a net reduction to school divisions of \$4.3 million GF the first year and \$9.2 million GF the second year.
- **Update Inflation Factors.** Decreases funding by \$1.6 million GF the first year and \$1.5 million GF the second year based on inflation factors through the second quarter of 2002.
- **Update for Participation.** Decreases funding by \$3.1 million GF the first year and \$685,348 GF the second year based on actual participation in the current year, and projected participation in the second year, for certain incentive and categorical programs, including: At-Risk Four-Year-Olds, K-3 Reduced Class Size,

Remedial Summer School, Governor’s Schools, Algebra Readiness and Alternative Education.

In addition, decreases funding by \$1.6 million GF the first year and \$619,080 GF the second year in Special Education Categorical Accounts based on revised participation rates and tuition costs for these programs which include: state-operated special education programs, homebound programs, and tuition for regional programs, including juvenile detention homes.

- Diversion of Additional Literary Fund Revenues. Supplants \$22.1 million GF the first year and \$32.8 million GF the second year by paying an additional portion of Teacher Retirement and Social Security costs with Literary Fund revenues, increasing the biennial amount used for this purpose from the Literary Fund to \$231.3 million.

Literary Fund Sources and Uses – 2003 and 2004		
(\$ in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>
Projected Available Funds	\$178.7	\$183.5
Proposed Uses		
Teacher Ret./Soc. Security	\$112.8	\$118.5
Interest Rate Subsidy	5.0	10.0
Technology Debt Service	51.8	55.0
School Construction Loans	0.0	0.0
Total Uses	\$169.6	\$183.5
Ending Balance	\$9.1	\$0.0

The adopted budget increases revenues to the Literary Fund. In the first year, additional revenue comes from a FY 2002 balance in the Literary Fund and a one-time adjustment to account for the unused portion of already released loans. In the second year, \$2.75 million in additional revenue comes from the passage of legislation increasing speeding penalties and related fines by the 2003 General Assembly, and a one-time increase of \$20.0 million from the

passage of legislation allowing the earlier recovery of unclaimed stock from demutualized insurance companies.

The adopted budget sets aside \$10.0 million in Literary Funds for an interest rate subsidy program. As of November 2002, there were 41 projects totaling \$170.3 million on the Literary Fund First Priority Waiting List. The \$10.0 million in the interest rate subsidy program – if current interest rates hold – should fund \$100.0 million in wait-listed projects.

- ***Student Achievement Block Grant.*** Redirects \$10.1 million GF the second year from the Dropout Prevention Program into a new block grant. School divisions can choose to use the grant for any of the following existing programs: K-3 Reduced Class Size, Early Reading Intervention, Dropout Prevention, At-Risk Four-Year-Olds (including children currently served using federal Title I funding), and SOL Remediation.
- ***Eliminate Technology Assistants and School Health Incentive Payments and Redirect to Compensation.*** Saves \$6.8 million GF the second year from the elimination of the Technology Assistants and School Health Incentive Payments Programs. The funding is redirected to the teacher salary increase in the second year.
- ***Reductions to Smaller Special Programs.*** Proposes savings of \$0.3 million GF the first year and \$0.9 million GF the second year by: eliminating state funding for the Western Virginia Public Education Consortium and for Migrant Education programs; and by applying reductions to the following programs: Project Discovery, the Southwest Education Consortium, the Southside Regional Technology Consortium, the William King Arts Center, and the Virginia Career Education Foundation.
- ***Change Enrollment Cap for Governor's Schools.*** Increases the cap on enrollment for state funding of Governor's School from the current 1,275 students to 1,300 students. The only school immediately impacted by the change would be the Thomas Jefferson Governor's School in Fairfax, which would receive an additional \$21,171 GF in FY 2004.
- ***Anticipated Federal Funding Increases.*** Increases funding by \$113.3 million NGF the second year in Direct Aid in additional appropriation authority anticipating the following changes in federal funding:

- Provides \$50.2 million for teacher and principal training and recruitment under Title II-A.
- Adds \$18.0 million NGF for additional federal Special Education funding.
- Provides \$15.1 million NGF in the second year for Reading First Grants.
- Adds \$10.1 million NGF in the second year for technology grants.
- Appropriates \$8.8 million NGF for a new federal grant award under Title IV-B 21st Century Community Learning Centers.
- Adds \$5.1 million NGF in the second year for Limited English Proficiency grants under Title III of the No Child Left Behind Act.
- Provides \$5.0 million NGF the second year in additional spending authority for the school food program, reflecting increases in federal reimbursement rates under the program.
- Increases funding by \$1.0 million NGF to reflect Virginia's award of a Teacher Quality Enhancement Grant.
- **Language Amendments.** Includes the following language amendments:
 - Requires that Norton City and Highland County public schools enter into cost-sharing arrangements with other school divisions as a condition of receiving small school division grants.
 - Removes the provision currently allowing Standards of Learning (SOL) Remediation funding to be block granted with the Standards of Quality remediation funding school divisions receive, thereby restoring reporting requirements on the SOL Remediation funding.
 - Moves the Superintendent of Public Instruction's reporting deadline for the K-3 Reduced Class Size Program from December 1st to prior to the beginning of each General Assembly Session.

- **Virginia School for the Deaf, Blind and Multi-Disabled at Hampton**
 - **October Reductions.** Adopts October funding reductions of \$400,438 GF the first year and \$399,884 GF the second year and a total of 1.0 FTE in the biennium. The school will provide therapy services, transportation, electrical and plumbing, and grounds maintenance using full-time staff instead of through contractual and wage employees. The school will also reduce monthly telephone charges.

- **Virginia School for the Deaf and Blind at Staunton**
 - **October Reductions.** Adopts October reductions of \$242,949 GF the first year and \$248,832 GF the second year and a total of 3.0 FTE in the biennium. The school will eliminate one faculty position, one support maintenance position, and several wage positions to achieve the savings. In addition, travel and other non-personal services costs will be reduced, and the agency will increase revenue by \$53,000 NGF the first year and \$18,000 NGF the second year by increasing enrollment and renting unused space to a college.
 - **Heat and Hot Water for School.** Adds \$35,000 GF the first year and \$435,000 GF the second year to provide heat and hot water for the school until a capital project to install boilers is completed. The heat and hot water for the school was previously supplied by the Staunton Correctional Center, which was closed in early December of 2002.

A listing, by locality, of estimated funding for FY 2003 Direct Aid to Public Education is included as Appendix A and estimated funding for FY 2004 Direct Aid to Public Education is included as Appendix B.