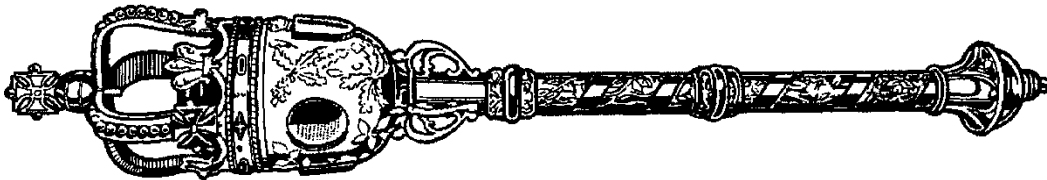


*Report of the
House Appropriations
Subcommittee*

on

*Elementary & Secondary
Education*



*House Bill 29
&
House Bill 30*

February 22, 2004

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**Respectfully Submitted by the House Appropriations
Subcommittee on Elementary & Secondary Education:**

James H. Dillard, II, Chairman

John S. (Jack) Reid

Robert Tata

J. Paul Council, Jr.

Phillip A. Hamilton

Marian Van Landingham

Beverly J. Sherwood

Floyd H. Miles, Sr.

M. Kirkland Cox

REPORT OF THE SUBCOMMITTEE
on
ELEMENTARY & SECONDARY EDUCATION

Mr. Chairman, on behalf of the Elementary and Secondary Education Subcommittee, I am pleased to offer funding recommendations that represent the Commonwealth's continued investment in public education.

The development of this biennial budget has been a difficult one, but I believe that the subcommittee has addressed the educational needs of our children in a manner that has been both fair and equitable based on the resources available.

I know the Committee joins me in reaffirming our commitment that Virginia's system of public education should serve as the pinnacle in educational quality as reflected in the fact that K-12 spending represents approximately one-third of the state's total general fund budget.

As you know, Mr. Chairman, every two years the Department of Education (DOE) completes a comprehensive review, analysis, and update of re-benchmarking the Standards of Quality (SOQ). Based on the Department's update, the cost of re-benchmarking the Standards of Quality is estimated to cost \$1.1 billion more in the 2004-2006 biennium than it does today. Factors that drive this cost include the addition of 31,000 new students over the next two years, changes in the composite index - which reflect the local government's ability to pay for education, inflation, changes in the retirement contribution rate, health care cost, and the increase in the prevailing teacher salary by six percent.

Clearly, the cost of re-benchmarking for the 2004-2006 biennium was the largest ever seen. As a result, the Governor's budget recommendations included a policy change that lowered the overall cost of the re-benchmarking by \$418.2 million over the two-year period. This policy change did two things. First, it reinstated the practice of deducting locally generated revenues off the top prior to calculating the total cost of education, and second, it instituted a policy whereby certain federal funds received by local school divisions would also be deducted off the top.

As you recall, during the 2002 Session the House, acting on the recommendations of a JLARC study, began the elimination of the policy of deducting local revenues in the current biennium. Clearly, the Governor's proposal not only retreats from the General Assembly's commitment to public education, but further burdens all local school divisions who have managed to secure federal funding for services for students in areas such as special education and Title I.

Consistent with the actions we took in 2002, the Subcommittee recommends \$110.7 million to remove the deduction of locally generated revenues. While this recommendation ameliorates a portion of this policy change, unfortunately we are unable to undo the impact of the deduction of federal revenues. However, I know this Committee remains dedicated to addressing this issue in the future.

The Subcommittee recommends an additional \$90 million to apply toward abolishing the local deduction. The remaining difference will be redirected from the student achievement block grant.

In addition to the re-benchmarking of the Standards of Quality, the Subcommittee recommends \$28.0 million to update the cost of several incentive-based programs, such as those serving at-risk children, the K-3 class-size initiative and the early reading intervention program.

To assist our school division in meeting the requirements of the federal No Child Left Behind Act, the Subcommittee recommends \$16.3 million in financial support for the implementation of a new student information system, expansion of grade level testing, and general financial assistance. This new funding will allow school divisions to focus on meeting the required goals, objectives, and outcomes of this new program.

Finally, Mr. Chairman, the Subcommittee approved \$9.9 million for the Standards of Learning for the continued expansion of the on-line testing implementation and needed adjustments to the existing vendor contractual services that assist DOE with the related responsibilities and maintenance.

I now would like the Committee staff to explain each of the Subcommittee's recommendations in more detail. I hope it will be the pleasure of the Committee to adopt our recommendations.

BUDGET AMENDMENT RECOMMENDATIONS

Amendment	House Bill 29 FY 2004	2004-06 BIENNIAL TOTAL		
		General Fund	Nongeneral Fund	FTE

Elementary and Secondary Public Education

HB 29

Direct Aid To Public Education

Technical Update Adjustments	(400,000)
Basic Aid offset from Revised Mid-Year Adjustments to Sales Tax Proceeds	(9,310,979)
Additional Sales Tax from Revised Mid-Year Estimates	16,666,000
Reallocate Lottery Balances to Support NCLB in FY2005	(9,884,747)
Carry-Over Language for Lottery	Language
Carry-Over Language for Standards of Learning Remediation	Language
Carry-Over Language for Standards of Learning Algebra Readiness Program	Language
Carry-Over Language for School Construction Grant Program	Language
National Board Certification Bonus Participation Update	(127,500)

HB 29 SUBTOTAL (3,057,226)

HB 30

Secretary Of Education

Sec Ed - Remove New Funding	(50,000)
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Department Of Education, Central Office Operations

National Board Certification Bonus Participation Update	(679,000)
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Direct Aid To Public Education

Institute for Early Learning Through the Arts Funding	500,000
Jobs for Virginia Graduates	500,000
SOQ Remediation FY04 Funding Level	(42,601,577)
Redirects Student Achievement Block Grant to Local Revenue Deduction	(20,186,626)
Additional No Loss Provision	3,274,428
Restore Funding to Basic Aid by Eliminating the Local Revenue Deductions	110,586,767
Basic Aid Offset From Sales Tax in HB 246 Prepaid Telephone Calling Cards	(292,711)
Basic Aid Offset From Sales Tax in HB 1488 Elimination of Certain Sales Tax Exemption	(65,293,345)
Basic Aid Offset From Revised Baseline Sales Tax Estimate	(10,327,308)
Sales Tax Distribution From HB 246 Prepaid Telephone Calling Cards	520,000
Sales Tax Distribution From HB 1488 Elimination of Certain Sales Tax Exemptions	115,912,320
Sales Tax Distribution from Revised Baseline Estimates	18,333,000

Participation Updates:

K-3 class size Reduction Program Enrollment Update	(1,300,000)
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Technical:

Funding for Special Education Instruction	1,200,000
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BUDGET AMENDMENT RECOMMENDATIONS

<u>Amendment</u>	<u>House Bill 29</u> <u>FY 2004</u>	2004-06 BIENNIAL TOTAL		
		<u>General</u> <u>Fund</u>	<u>Nongeneral</u> <u>Fund</u>	<u>FTE</u>
Adjust Remedial Education Funding		48,516		
Intra-Agency Transfer of Available Balances			Language	
Technical Language Adjustments for VPSA			Language	
Adjustment to Retiree Health Care Credit		(1,663,386)		
Eliminate Contingency Language:				
Cost of Competing Adjustment Expansion		(7,145,786)		
At-Risk Four Year Olds and Changes in Funding Formulas		(9,918,368)		
English as a Second Language Expansion		(19,386,599)		
Eliminate Other Accounts:				
Eliminate Southwest Education Consortium Payment		(400,000)		
Eliminate William King Regional Arts Center Payment		(200,000)		
	(3,057,226)	71,430,325		

GRAND TOTAL

Elementary & Secondary Education Subcommittee

Item 147 #4h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 78, line 9, strike "first" and insert "second"

Page 78, line 11, strike "2003" and insert "2004".

Explanation:

(This amendment provides the option to localities to carry over any unspent funds in the second year for the Standards of Learning Remediation Program that are unexpended as of June 30, 2004. The funds shall be carried on the books of the locality to be appropriated to the school division in the following year for use in the same program.)

Elementary & Secondary Education Subcommittee

Item 147 #5h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 79, line 40, strike "first" and insert "second"

Page 79, line 42, strike "2003" and insert "2004".

Explanation:

(This amendment provides the option to localities to carryover any unspent funds in the second year for the Standards of Learning Algebra Readiness Program that are unexpended as of June 30, 2004. The funds shall be carried on the books of the locality to be appropriated to the school division in the following year for use in the same program.)

Elementary & Secondary Education Subcommittee

Item 147 #6h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 80, line 26, strike "first" and insert "second"

Request for Amendment to House Bill 29 as Introduced

Page 80, line 28, strike "2003" and insert "2004".

Explanation:

(This amendment provides the option to localities to carryover any unspent funds in the second year for the School Construction Grants Program that are unexpended as of June 30, 2004. The funds shall be carried on the books of the locality to be appropriated to the school division in the following year for use in the same program.)

Elementary & Secondary Education Subcommittee

Item 148 #3h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 83, line 58, strike "first" and insert "second"

Page 84, line 1, strike "2003" and insert "2004".

Explanation:

(This amendment provides the option to localities to carryover any unspent funds in the second year for the Lottery Program that are unexpended as of June 30, 2004. The funds shall be carried on the books of the locality to be appropriated to the school division in the following year for use in the same program.)

Elementary & Secondary Education Subcommittee

Item 146 #9h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 109, after line 2, insert:

"8. In the event that the appropriations in Items 144 through 152 are not sufficient to meet the entitlements payable to school divisions pursuant to the provisions of each item, the Department of Education is authorized to transfer any available funds between these items to address such insufficiencies. If the total appropriations after such transfers remain insufficient to meet the entitlements of any program, the Department of Education is authorized to prorate such shortfall proportionately across all of the school divisions participating in the program where such shortfall occurred."

Explanation:

(This amendment provides the Department of Education the authority to transfer existing available surplus funds from one item to another for the required state's share of direct aid distributions to localities.)

Elementary & Secondary Education Subcommittee

Item 146 #10h

**Education: Elementary &
Secondary**

Direct Aid To Public Education

Language

Language:

Page 120, line 13, after "Authority in", insert "the Spring of".

Page 120, line 31, strike "respectively" and insert:

"for the Spring 2005 issuance, and September 30, 2005 for the Spring 2006 issuance".

Page 120, line 35, after "Blind.", insert:

"Schools that only serve pre-kindergarten students shall not be eligible for this grant."

Page 121, strike lines 5-11.

Page 121, line 12, strike "d)" and insert "c)".

Explanation:

(This amendment provides a technical update to the calendar year for which the debt issuance and payments to localities shall be completed. The language change

Request for Amendment to House Bill 30 as Introduced

further refines the definition for a school's eligibilty for such possible funding and now excludes facilities that only serve pre-kindergarten students.)