

Public Education

The Governor's proposed amendments for Direct Aid to Public Education result in a net increase of \$45.5 million GF and \$53.6 million NGF for the biennium when compared to the original appropriations in Chapter 4. This total reflects new GF spending of \$127.6 million offset by \$82.1 million in GF reductions. In addition, additional Literary Fund revenues in the amount of \$20 million are also included to increase the number of interest rate subsidies.

The largest proposed increase of \$54.8 million GF is allocated to provide the state's share of a 3 percent salary increase for teachers and support positions, effective December 1, 2005.

The proposed net local share of Lottery proceeds distributed to school divisions, based on a per-pupil amount, has increased by \$35.2 million GF for the biennium. The revised estimate for the net sales tax revenue that is dedicated to public education and distributed based on school-aged children is estimated to increase by \$12.9 million GF for the biennium above the allocation in Chapter 4.

Other proposed technical adjustments add \$19.6 million GF to address the shortfall in four accounts: English-as-a-Second Language, VRS non-professional rate update, correcting school classification coding, and special education student totals. The No Child Left Behind allocations will receive an annual adjustment of \$25.0 million NGF to recognize the increase in available federal funding.

In addition to the technical changes, a number of program expansions and initiatives have been recommended by the Governor. The "Race to the GED" program, one of the components in the Education for a Lifetime initiative, will receive an additional \$2.4 million GF in the second year to increase the number of locations and the scheduled testing opportunities for students. An additional \$1.6 million GF in the second year has been added to start a state supported breakfast reimbursement program.

A number of savings have been proposed either from technical adjustments or deferred program implementations for the biennium. The updated student ADM projections are 18,597 lower than the estimates in Chapter 4 which will generate a savings of \$61.3 million GF; projected student participation rates are also lower for a savings of \$18.1 million GF; and a \$2.0 million savings from the Virginia Teacher Corps and Teacher Mentor programs that will not require payments until the second year of the biennium.

- **Secretary of Education**
 - *Fully Budget Agency Operations.* Adds \$39,497 GF the first year and \$289,229 GF the second year along with one full-time position and a reduction of \$188,781 NGF to cover the cost of current agency operations and to create a full time salary position from a wage position. The requested allocation also restores support for federal funding that is no longer available. This is a technical amendment to reflect recent findings by the Auditor of Public Accounts and is one of several affecting the Office of the Governor and the Cabinet Secretaries.
 - *Schools for the Deaf and Blind Consolidation Site Planning.* Adds \$49,550 GF the first year and \$148,650 GF the second year for site selection and to develop architectural plans needed for the consolidation of the two existing Schools for the Deaf, Blind and Multi-Disabled.

- **Department of Education**
 - *Education for a Lifetime Program.* Adds \$249,886 GF in the first year and by \$459,811 GF in the second year to reflect contractual cost increases with the University of Virginia to provide training for Turnaround Specialists. Adds \$500,000 GF the second year for technical support and access to career assessment and planning software in keeping with Virginia’s workforce training programs.
 - *Race to GED Program Expansion.* Adds \$643,200 GF in the second year to provide radio announcements for the GED program expansion of locations and test schedules, purchase sixteen laptops and printers, and reimbursements for administrators traveling to testing sites. (An additional \$2.4 million GF the second year is included in the Direct Aid budget.)
 - *Partnership for Achieving Successful Schools (PASS).* Adds \$200,000 GF in the second year to develop a partnership with the Virginia School Boards Association to begin a pilot program of training opportunities for School Board members from low performing school divisions.
 - *Update Academic Review Process.* Adds \$183,107 GF the second year for conducting academic reviews of schools that have been evaluated as “Accredited with Warning”. As the Board of Education is phasing out the provisional accreditation status the

number of schools that need to be reviewed has increased from 47 to 273.

- ***National Board Certification Bonus for Teachers.*** Adjusts the funding downward by \$182,000 GF the first year and increases funding by \$197,500 GF the second year based on 351 continuing bonuses at \$2,500 per award and 130 initial bonuses at \$5,000 per award in FY 2005, along with an additional 215 estimated initial awards and 516 continuing awards in FY 2006. These additional initial awards would increase to 731 the total number of teachers holding National Board Certification in Virginia.
 - ***New Positions for SOL Testing Program.*** Adds two full-time GF positions in the first year and two additional full-time GF positions in the second year to support the on-going tasks and duties related to the Department of Education’s responsibilities for the Standards of Learning testing program.
 - ***No Child Left Behind Act: 23 New Positions.*** Proposes a technical adjustment to add twenty-three full-time NGF positions the second year for the continuing requirements from the federal No Child Left Behind Act, such as test development for grades 4, 6, and 7; annual improvement in pass rates; increased technical assistance to improve graduation rates, attendance rates, and school safety; and parental notification of options.
 - ***Transfer Information Technology Positions to VITA.*** Transfers nine full-time GF technology positions in the second year to the Virginia Information Technologies Agency pursuant to legislation passed during the 2003 Session that directed the consolidation of information technology functions in the executive branch agencies.
 - ***Transfer Funds for Electronic Classroom Program.*** Transfers \$322,500 GF the first year and \$354,750 GF the second year from the Direct Aid to Public Education to facilitate a simpler method to pay vendor payments for contractual obligations realized for the program on behalf of the school divisions.
- **Direct Aid to Education**
 - ***Three Percent Salary Increase.*** Adds \$54.8 million GF in the second year for the state’s share of a three percent salary adjustment, effective December 1, 2005, for all instructional and support positions that are prescribed by the SOQ, incentive-based and

categorical funding formulas to school divisions that certify to the Department of Education, no later than March 1, 2006, that at least the equivalent increase has been granted in the second year and matched by the local government, based on the composite index of local ability-to-pay.

- ***Technical Changes to Funding.*** Includes a net savings of \$6.9 million GF the first year and \$4.1 million GF the second year for 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 \$25.0 million GF in FY 2005 and \$36.3 million GF in FY 2006 to reflect estimates of student enrollment projections based on March 31, 2004 Average Daily Membership (ADM) and September 30, 2004 Fall Membership student totals. Enrollment is estimated to decrease by 7,859 students in the unadjusted average daily membership (ADM) the first year from the projected March 2005 ADM of 1,185,228, and decrease by 10,738 students the second year, for an estimated total of 1,190,713 students in FY 2006.

The updated enrollment changes funding for the majority of the SOQ accounts such as Basic Aid, Textbooks, Vocation Education, Gifted Education, Special Education, Remedial Education, Retirement and Social Security.

- Technical Update for Participation, Special Enrollments, and Test Scores to Incentive and Categorical Accounts. Reduces funding by \$14.5 million GF the first year and by \$3.6 million GF the second year based on actual participation in the current year for certain incentive and categorical programs, including: At-Risk Four-Year-Olds, Early Reading Intervention, Remedial Summer School, SOL Algebra Readiness, English-as-a-Second Language, and Governor's School which includes removing the language limiting payments for estimated vs. actual enrollment. (A list of incentive and categorical accounts is included at the end of this section.)
- Revised Lottery Proceeds. Increases the net local share of Lottery proceeds by \$19.8 million GF the first year and by

\$15.4 million GF the second year. The first year increase reflects actual proceeds that exceeded the original official estimate in Chapter 943 by \$22.7 million GF for FY 2004 and a revised estimate for FY 2005 that is \$28.5 million GF above the amount projected in Chapter 4. The revised FY 2006 estimate is \$39.8 million GF above the the projected amount in Chapter 4.

- 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 are projected to increase by \$2.3 million GF in the first year and by \$10.6 million GF the second year.
 - Other Technical Adjustments. Additional funding of \$10.2 million GF the first year and \$9.4 million GF the second year is proposed to cover the shortfall from the 2004 session in public education accounts, including: English-as-a-Second Language, updating the non-professional rate for VRS, correcting school enrollment configurations due to a school-classification coding discrepancy, and correcting the special education student totals for Montgomery and Buckingham county school divisions.
 - Composite Index Adjustment for Alleghany School Division. Adds \$342,053 GF the first year and \$362,227 GF the second year to Alleghany school division, which consolidated with Clifton Forge, to lower their composite index from 0.2683 to 0.2423 as approved by the Board of Education and the Governor.
- ***Race to the GED.*** Adds \$2.4 million GF the second year to expand the number of times the GED tests are offered to students, as well as increasing the number of locations where the testing is administered. The proposed funding would provide placements for an additional 3,000 students, or a 30 percent increase in participation.
 - ***Begin State Support for School Breakfast Programs.*** Proposes \$1.6 million GF the second year to provide supplemental payments for school-based programs to support a breakfast program for

students. The funds will be based on a five cents reimbursement per breakfast served from the prior year to encourage schools to expand their breakfast program options and increase student participation.

- *Virginia Career Education Foundation.* Adds \$150,000 GF the second year to help address the disparity between the significant number of career and technical jobs available in the state and the low number of students who have the necessary skills and are qualified for those positions after high school or post-secondary education.
- *Virginia Adult Learning Resource Center.* Adds \$100,000 GF the second year to provide additional matching funds to the Virginia Literacy Foundation in order to provide grants to volunteer literacy groups that provide adult education and literacy resources, and professional development services to adults who have less than a fifth grade level reading proficiency.
- *Special Education Medical Services Federal Match.* Adds \$3.6 million NGF the second year for reimbursements associated with special education medical services provided by school divisions to Medicaid eligible students.

These matching federal funds will be assured as a result of the Department of Education agreeing to serve as the fiscal agent and will receive both the state matching payments from Department of Medical Assistance Services (DMAS) and the federal reimbursements.

The Department of Education will receive funds for 100 percent of the federal share for special education services and 100 percent for both state and federal shares for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services and will provide the federal reimbursement portion to school divisions that submit valid expense claims. The Department of Education will disburse these payments through the Public Education Medical Payment Fund.

The Department of Education will also receive the DMAS payments in order to substantiate spending on behalf of the school divisions to satisfy federal requirements. The additional funds allocated by DMAS will guarantee that the school divisions will receive the federal Medicaid matching funds. The Department of

Education will deposit these funds into a new Special Education Recovery Fund.

- ***No Child Left Behind Grants.*** Proposes a technical adjustment to recognize the increased federal fund allocations of \$25.0 million NGF each year for the mandated No Child Left Behind Act.
- ***Literary Fund Adjustments.*** Acknowledges, through a language amendment, the increase in Literary Fund revenues of \$20 million NGF the second year to be designated for additional interest rate subsidies to school divisions currently on the Board of Education's First Priority Waiting List for construction projects up to \$7.5 million per project.

As of September 2004 there were 42 projects on the First Priority Waiting List. The additional funds will address a large majority of these projects.

Proposed Revisions Literary Fund Sources & Uses (\$ in millions)			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006*</u>
Adopted Revenues & Balances	\$213.2	\$214.2	\$223.5
Adopted Uses			
Teacher Ret./Soc. Security	\$118.5	\$131.9	\$135.9
Technology Debt Service	55.0	64.5	62.2
Interest Rate Subsidy	2.9	5.0	25.0
School Construction Loans	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Uses	\$176.4	\$201.4	\$223.1
Ending Balance	\$36.8	\$12.8	\$0.4
*Proposed in Governor's Amendments to Chapter 4			

- *Education for a Lifetime Programs.* Captures savings of \$1.4 million GF the first year from the Virginia Teacher Corps initiative that will not require payments until the second year of the biennium; \$558,297 GF the first year from the new teacher mentor program; and transfers from Direct Aid \$25,000 GF each year to the Central Office for contract costs for the turnaround specialists program.
- *Electronic Classroom Program.* Proposes a technical adjustment to transfer \$322,500 GF the first year and \$354,750 GF the second year to the Department of Education for the program to pay contractual obligations to outside vendors who provide support services for the program operations. This action will eliminate the need to process an intra-agency transfer.
- **Virginia School for the Deaf, Blind and Multi-Disabled at Hampton**
 - *Transfer Information Technology Positions to VITA.* Transfers one full-time GF technology position in the second year to the Virginia Information Technologies Agency pursuant to legislation passed during the 2003 Session that directed the consolidation of information technology functions in the executive branch agencies.
- **Virginia School for the Deaf and Blind at Staunton.**
 - *Energy Costs.* Adds \$213,379 GF each year of the biennium for the additional utility and heating costs that had previously been partially offset by partnering with the now-closed Staunton Correctional Center.
 - *Transfer Information Technology Positions to VITA.* Transfers one full-time GF technology position, in the second year, to the Virginia Information Technologies Agency pursuant to legislation passed during the 2003 Session that directed the consolidation of information technology functions in the executive branch agencies.

A listing, by locality, of the revised estimated funding for FY 2005 Direct Aid to Public Education is included as Appendix A and revised estimated funding for FY 2006 Direct Aid to Public Education is included as Appendix B.

Programs Funded Above the SOQ

Incentive-Based Programs

Lottery	School Construction Grants
At-Risk Add-On	ISAEP
Primary Class Size K-3	SOL Algebra Readiness
At-Risk Four-Year-Olds	Technology - VPSA
Early Reading Intervention	

Categorical Programs

Career and Technical Education	Adult Education
Special Education: Homebound	Foster Care
Special Education: Hospitals	Alternative Education
Special Education: Regional Tuition	Electronic Classroom
Special Education: In-service	School Nutrition
Special Education: Jails	Academic Year Governor's School
Adult Literary	

Direct Grants

Southwest Education Consortium	Small School Division Assistance
Project Discovery	Mentor Teacher Program
Southside VA Reg. Tech. Consort.	Indian Children
William King Regional Arts Center	Wolf Trap's Early Learning Inst.
Jobs for Virginia Graduates	