

Public Education

The adopted amendments to the 2004-06 budget for Direct Aid to Public Education result in a net increase of \$42.4 million GF and \$40.0 million NGF for the biennium when compared to the original appropriations in Chapter 4. This total reflects new GF spending of \$124.7 million offset by \$82.3 million in GF reductions.

The largest amended increase of \$54.8 million GF provides the state's share of a 3 percent salary increase for teachers and support SOQ positions, effective December 1, 2005.

The adopted amendments also provide \$10.0 million GF to begin replenishing the Literary Fund, which is currently being diverted to support Standards of Quality teacher retirement costs. The "freed up" nongeneral funds will be used for school construction loans on the First Priority Waiting List. In addition, the amendments reflect a \$20.0 million increase in Literary Fund revenue estimates. These funds are allocated for interest rate subsidies for school construction projects, along with \$5.0 million from Chapter 4.

The additional net local share of Lottery proceeds distributed to school divisions, based on a per-pupil amount, will increase by a projected \$26.4 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 now estimated to increase by \$13.9 million GF for the biennium above the allocation in Chapter 4.

Other adopted technical adjustments add \$13.9 million GF the second year only 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 provided. The incentive-based At-Risk add-on initiative has had \$2.3 million GF added to partially restore a 2002 reduction. The new state supported breakfast reimbursement program will receive \$1.2 million GF the second year. The "Race to the GED" program, one of the components in the Education for a Lifetime initiative, will receive an additional \$1.2 million GF in the second year to increase the number of locations and the scheduled testing opportunities for students. An increase of \$0.8 million in FY 2006 was allocated

to schools for vocational education equipment needs and \$0.4 million was included in the budget for the Career and Technical Education Resource Center.

A number of savings were adopted 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.

Budget amendments were also adopted affecting the Secretary of Education, the Department of Education, and the Schools for the Deaf and Blind.

- **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 position from a wage position. The 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.

- **Department of Education**

- *Education for a Lifetime Programs.* Adds \$249,886 GF the first year and \$308,921 GF the second year for contractual costs with the University of Virginia to provide training for the Turnaround Specialists initiative. In addition, language authorizes the transfer (from Direct Aid funds for certain programs) of up to an additional \$150,890 for the turnaround specialist training and up to \$500,000 GF the second year for an on-line career assessment and planning system.
- *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. The State Board of Education must select the final site by July 31, 2005.

- ***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 \$210,000 GF the first year and increases funding by \$117,500 GF the second year based on 346 continuing bonuses at \$2,500 per award and 127 initial bonuses at \$5,000 per award in FY 2005, along with an additional 182 estimated initial awards and 550 continuing awards in FY 2006. These additional initial awards would increase to 732 the total number of teachers holding National Board Certification in Virginia.
- ***Commission on Civics Education.*** Adds \$81,000 GF the second year to establish the new Commission on Civics Education pursuant to House Bill 1769. This advisory commission will assist students with understanding the importance of citizen involvement in representative democracy and enhance communication and collaboration among organizations that teach civics education.
- ***New Positions for SOL Testing Program.*** Adds two full-time GF positions the first year and two additional full-time GF positions 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.*** Adopts 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 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 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 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.* Adopts 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 \$11.0 million GF the first year and by \$15.4 million GF the second year. The first year increase reflects 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. The adopted official estimate for FY 2004 in Chapter 943 was exceeded by \$22.7 million GF and 100 percent was applied to the Basic Aid payment to school divisions.
- 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 \$2.5 million GF in the first year and by \$11.3 million GF the second year, including just over \$100,000 from adopted legislation that changed certain sales tax exemptions for vehicle paint sales.
- Technical Corrections. Additional funding of \$13.9 million GF the second year was approved to fully fund the shortfall in FY 2006 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.

Additional funding of \$11.7 million GF the first year was not provided. All data corrections to the school division data will be made, and balances from any public education accounts can be used, if available, to cover FY 2005. In the

event that sufficient funding is not available, prorated reductions of up to 0.5 percent of Basic Aid will be applied to all 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.
- *At-Risk Add-on Partial Restoration of 8% Reduction.* Adds \$2.3 million GF the second year to the Incentive-Based At-Risk Add-on initiative to restore half of the eight percent that was reduced from the program’s budget in 2002. In addition, expanded language adds truancy programs to the list of programs that may be supported with this funding, and directs \$675,000 of Richmond City’s total share to a pilot program.
- *Race to the GED.* Adds \$1.2 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 adopted funding would provide placements for an additional 1,500 students, or a 15 percent increase in participation.
- *New State Support for School Breakfast Program.* Adds \$1.2 million GF the second year to provide payments to support breakfast programs. The funds will be based on a 20-cents reimbursement per breakfast served above the FY 2004 baseline total to encourage schools to expand their breakfast program options and increase student participation. The 20-cent reimbursement rate will be prorated as necessary so as not to exceed the allocated funds. The funding has been budgeted in Central Appropriations.
- *Vocational-Technical Education Equipment.* Adds \$800,000 GF the second year for vocational technical education for all school divisions.
- *Career and Technical Education Resource Center.* Adds \$400,000 GF the second year for the Center, which provides curriculum and instructional materials free-of-charge to school divisions statewide.

- ***Industry Certification Testing.*** Adds \$350,000 GF the second year to provide reimbursement to school divisions for expenditures that paid for the cost of industry certifications and state licensure examinations taken by students for verified graduation credit. The funding has been budgeted in Central Appropriations.
- ***Jobs for Virginia Graduates.*** Adds \$200,000 GF the second year to the Jobs for Virginia Graduates program.
- ***Planning for Final Governor’s School.*** Adds \$100,000 GF the second year for a new Governor’s School to serve the City of Winchester and the counties of Culpeper, Clarke, Fauquier, Frederick, Rappahannock, and Warren.
- ***Virginia Career Education Foundation.*** Adds \$50,000 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.
- ***No Child Left Behind Grants.*** Provides 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 \$20.0 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.

In addition, the adopted budget includes \$10.0 million in the second year for direct loans to school divisions on the waiting list that previously had supported a portion of the SOQ teacher retirement costs.

As of March 2005 there were 50 projects on the First Priority Waiting List. The additional funds will address a large majority of these projects. The revised total of \$25.0 million in funding will be available for low interest subsidy loans.

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	\$125.9
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>10.0</u>
Total Uses	\$176.4	\$201.4	\$223.1
Ending Balance	\$36.8	\$12.8	\$0.4

*Adopted in General Assembly's Amendments to the Governor's Proposed Amended 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.* Provides 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.

- *Governor’s School Enrollment Adjustment.* Captures savings of \$119,041 GF the first year and a net of \$40,513 GF the second year from delaying the opening of the Massanutten Governor’s School until FY 2006 and adjusting the enrollment for the Blue Ridge and Massanutten Governor’s Schools in the second year.
- *Turnaround Specialist Program.* Removes the \$49,110 GF the first year from the uncommitted reserve balance from the incentive payments to participating schools.
- **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	