

## Public Education

The Governor's proposed amendments to the 2006-08 biennial budget for Direct Aid to Public Education result in a net decrease of \$16.5 million GF when compared to Chapter 10, Special Session I of 2006 for a total of \$11,476.2 million GF for Direct Aid for the biennium. New GF spending of \$83.7 million includes \$63.9 million for a 3.0 percent salary increase the second year and \$4.6 million for pilot projects to expand preschool availability. Total GF savings of \$100.2 million are primarily due to the projected slowing of enrollment growth and lower lottery proceeds due to the expected impact of North Carolina's lottery.

<b>HB 1650/SB 750</b>			
<b>Proposed Amendments to Direct Aid to Public Education</b>			
(\$ in millions)			
	<b>FY 2007</b>	<b>FY 2008</b>	<b>Total</b>
3.0 % Salary Increase, Dec. 1, 2007	\$0.0	\$63.9	\$63.9
Pilots to Expand Preschool Availability	0.0	4.6	4.6
Retiree Health Care Credit (RHCC) and Group Life (GL) Rate Changes	0.0	4.3	4.3
Expand Early Reading Intervention	0.0	4.1	4.1
Expand Algebra Readiness Program	0.0	3.9	3.9
Revised Sales Tax for Education Forecast - Increase Reduces Ch. 10's FY 2007 One-Time Hold Harmless	0.0	2.7	2.7
Transportation of Foster Children	0.0	0.2	0.2
Revised Average Daily Membership (ADM) Forecast - Growth Slowing	(20.4)	(35.8)	(56.2)
Update Standards of Quality (SOQ), Categorical, and Incentive Programs for Other Child Counts, Program Participation, and Other Cost Factors	(12.2)	(10.0)	(22.2)
Revised Lottery Forecast - NC Effect	(8.0)	(8.0)	(16.0)
Transfer Chapter 10 RHCC and GL Savings to Direct Aid Budget from Central Accounts	(2.9)	(2.9)	(5.8)
<b>TOTAL</b>	<b>(\$43.4)</b>	<b>\$26.9</b>	<b>(\$16.5)</b>

- **Direct Aid to Public Education**

- ***Three Percent Salary Increase, December 1, 2007.*** Proposes \$63.9 million GF in the second year for the state’s share of a 3.0 percent salary increase for teachers and support positions in the Standards of Quality (SOQ). While a local match is required to access the state funds, participation by localities is not mandated.
  - A corresponding amendment in the Central Appropriations budget eliminates the \$22.0 million GF reserve for a second year salary increase established in Chapter 10.
- ***Pilot Projects to Expand Preschool Availability.*** Adds \$4.6 million GF in the second year for total Virginia Preschool Initiative (VPI) funding of \$55.2 million GF in the second year, to expand the availability of high quality pre-kindergarten programs. The cost estimate is based on about six pilots for a total target of 1,250 students, based on the state’s share of the current VPI per pupil funding amount of \$5,700, plus start-up costs of about \$120,000 per pilot.
  - Proposed budget language specifies that providers must participate in the Quality Rating System, public and private providers must be eligible to participate, pilot projects must not be limited to at-risk students, and local match requirements may be waived by the Secretary.
- ***Retiree Health Care Credit and Group Life Contribution Rate Changes.*** Adds \$4.3 million GF in the second year to increase the Retiree Health Care Credit (RHCC) contribution rate from 0.49 percent to 0.70 percent and by decreasing the Group Life contribution rate from 0.45 percent to 0.40 percent, as recommended by the Virginia Retirement System Board in response to the new Other Post-Employment Benefits (OPEB) reporting requirements.

Also, transfers to the Direct Aid budget existing savings in RHCC and Group Life costs of \$2.9 million GF each year that had been reflected in Central Appropriations in Chapter 10. The net effect of these two actions is a decrease of \$1.5 million GF over the biennium.

- ***Expand Early Reading Intervention to All Eligible 1<sup>st</sup> & 2<sup>nd</sup> Graders.*** Adds \$4.1 million GF in the second year for total Early Reading Intervention funding of \$14.3 million GF in the second year, to provide funding for 100 percent of 1<sup>st</sup> and 2<sup>nd</sup> graders that require reading intervention services based on their performance on the Phonological Awareness and Literacy Screening (PALS).
  - Currently, Early Reading Intervention funding is provided for 100 percent of the kindergarten students, 50 percent of 1<sup>st</sup> and 2<sup>nd</sup> graders, and 25 percent of 3<sup>rd</sup> graders who need intervention.

- *Expand Algebra Readiness Additional Math Instruction to Eligible 6<sup>th</sup> Graders.* Adds \$3.9 million GF in the second year for total Algebra Readiness funding of \$12.1 million GF, for additional math instruction for 6<sup>th</sup> graders, in addition to 7<sup>th</sup> and 8<sup>th</sup> graders, that are at-risk of failing the Algebra I end-of-course test. School divisions’ percentage of students eligible for free lunch is used as a proxy for calculating the number of students at-risk of failing the test.
  
- *Revised Sales Tax for Education Forecast.* Makes no net change in the first year and adds a net \$2.7 million GF in the second year in Direct Aid. Based on Tax Department calculations as reviewed by JLARC, using actual FY 2006 collections as the base year, the proposed amendments increase the estimates of the portion of sales tax for public education (1 and 1/8 cent) by \$2.7 million GF in the first year and \$6.1 million GF in the second year.
  - In the first year, an increase of \$2.7 million in the amount of sales tax for public education (1 and 1/8 cent) for a total of \$1,139.3 million in the first year, that is distributed on the basis of the census of school-aged population, results in a Basic Aid reduction of \$1.5 million for a net increase to localities of \$1.2 million. However, as intended, a corresponding reduction in the one-time hold harmless correction funding established in Chapter 10, for total hold harmless funding of \$55.5 million the first year, results in no net changes in the first year.
  
  - In the second year, an increase of \$6.1 million in the amount of sales tax for public education (1 and 1/8 cent) for a total of \$1,198.7 million in the second year, that is distributed on the basis of the census of school-aged population, results in a Basic Aid reduction of \$3.4 million, for a net increase to localities of \$2.7 million.
  
- *School Transportation for Foster Children Living Outside Their School’s Boundaries.* Adds \$150,000 GF in the second year for a new program to reimburse school divisions for transportation costs to minimize educational disruption for foster children who have been relocated outside the normal boundaries of the school which they attended. In addition, the language authorizes the use of Foster Children Education Payment balances for this purpose.
  
- *Update Standards of Quality (SOQ), Categorical, and Incentive Programs for Average Daily Membership (ADM) Enrollment, Other Child Counts, Program Participation, and Other Cost Factors.*
  - **Revised ADM Forecast - Growth Slowing.** Reflects net savings of \$20.4 million GF in the first year and \$35.8 million GF in the second year, including an offsetting increase in the Enrollment Loss account. The updated forecast of 1,191,172 students in the first year -- 5,742 lower than projected in Chapter 10 -- and 1,199,701 students in the second year -- 8,448

lower than projected in Chapter 10 -- reflects annual enrollment growth of less than one percent.

### *SOQ Programs*

- **English as a Second Language (ESL).** Reflects savings of \$1.3 million GF in the first year and \$2.8 million GF in the second year for total ESL funding of \$30.5 million GF in the first year and \$36.3 million GF in the second year, based on slower than expected growth.
- **Remedial Summer School.** Reflects savings of \$635,805 GF in the first year and \$324,781 GF in the second year for a total of \$24.0 million GF in the first year and \$25.2 million GF in the second year, based on FY 2007 actuals and FY 2008 projections.

### *Categorical Programs*

- **Special Education - Homebound.** Reflects savings of \$1.6 million GF in the first year and \$1.5 million GF in the second year for a total of \$4.9 million GF in the first year and \$5.7 million GF in the second year for the program, based on FY 2007 actuals and FY 2008 projections.
- **Virginia Public School Authority (VPSA) Technology Equipment Debt Service.** Reflects savings of \$149,259 in the first year and \$274,235 in the second year for a total of \$62.6 million NGF in the first year and \$63.8 million NGF in the second year. (Note: A correction to the budget as introduced is needed to accurately reflect this as NGF savings, rather than GF savings.)

### *Incentive Programs*

- **School Breakfast.** Adds \$168,951 GF in the first year and \$472,122 GF in the second year for a total of \$1.1 million GF in the first year and \$1.4 million GF in the second year for the program, based on FY 2007 actuals and FY 2008 projections.
- **Special Education - Regional Tuition.** Reflects savings of \$3.2 million GF in the first year and \$3.5 million GF in the second year for a total of \$56.8 million GF in the first year and \$62.9 million GF in the second year for the program, based on FY 2006 actuals.
- **Virginia Preschool Initiative for At-Risk Four-Year-Olds.** Reflects savings of \$2.9 million GF in the first year by updating FY 2007 enrollment and retaining \$2.0 million GF for start-up and expansion grants, as authorized in new budget language in Chapter 10.

- **Early Reading Intervention.** Reflects savings of \$1.7 million GF each year based on Phonological Awareness and Literacy Screening (PALS) scores from the 2005-06 school year.
  - **Governor's Schools.** Reflects savings of \$785,714 GF in the first year and \$382,199 GF in the second year for a total of \$9.4 million GF in the first year and \$10.1 million GF in the second year for the program, based on Fall 2006 enrollment levels. Also, adds \$25,000 GF each year for summer residential Governor's Schools.
- ***Revised Lottery Forecast - North Carolina Effect.*** Reduces Direct Aid funding by a net \$8.0 million GF each year. The Lottery Board revised the estimate of lottery proceeds downwards by \$20.7 million GF each year for a total of \$421.9 million GF in the first year (including \$16.5 million GF carried over from FY 2006) and \$405.4 million GF in the second year, based on the expected impact of North Carolina's new lottery. Based on an approximate 60-40 split, \$12.7 million GF less each year will be transferred to support a portion of Basic Aid costs (GF dollars must make up the difference), and \$8.0 million GF less each year for a total of \$155.3 million GF in the first year and \$148.9 million GF in the second year, will be distributed to localities.
- In addition, a recent audit identified an additional \$351,586 in lottery proceeds from FY 2005. These funds are allocated to offset the hold harmless sales tax payment discussed above.
- ***Language***
- Removes the "seasonality" requirements that currently restrict the VPSA interest rate subsidy sale to the Fall only and the technology notes sale to the Spring only.
  - Allows projects on the Literary Fund Second Priority Waiting List to participate in the interest rate subsidy program if unused subsidy appropriation remains once the participation of projects on the First Priority Waiting List is confirmed.

*The revised estimated funding for FY 2007 and FY 2008 Direct Aid to Public Education, shown by locality, is included as Appendix A and B.*

- **Department of Education (Central Office)**

- ***Two Positions for Start Strong Pilot Programs.*** Adds \$200,000 GF and 2.0 positions in the second year to support pilot programs recommended by the Start Strong Council, which was established by Executive Order to develop recommendations to expand access to quality pre-kindergarten to all of Virginia's four-year-olds whose parents choose to participate.

- A corresponding amendment in the Direct Aid budget adds \$4.6 million GF in the second year for Start Strong pre-kindergarten pilot programs.

- **Virginia Schools for the Deaf and Blind**

- *Dormitory and Security Staff.* Adds \$229,254 GF and 4.0 positions in the second year for additional dormitory and public safety staff in Staunton in order to help address the current waiting list for the middle and high school dormitories.
- *New Handicapped-Accessible School Bus.* Adds \$98,041 NGF in the first year to purchase a new full-size handicapped-accessible school bus.
- *Consolidation of the Two Statewide Schools.* In the Capital budget, provides \$3.5 million GF in the second year to continue planning for consolidation of the two existing statewide schools for the deaf and blind at the Staunton campus, and to facilitate future use of the Hampton campus. The language also authorizes a conventional design contract and a construction manager at risk contract, or an interim public-private partnership agreement.