

Public Education

Adopted amendments to the 2006-08 biennial budget for Direct Aid to Public Education result in a net decrease of \$9.6 million GF when compared to Chapter 10, Special Session I of 2006, for a total of \$11,484.3 million GF for Direct Aid. New general fund spending includes \$63.9 million for a 3.0 percent salary increase the second year, \$11.9 million to increase the Retiree Health Care Credit to \$4.00 per month, per year of service, \$4.1 million to expand early intervention reading services, and \$2.6 million for pilot projects to expand preschool availability. Total general fund savings are primarily due to the projected slowing of enrollment growth and lower lottery proceeds due to the expected impact of North Carolina's lottery.

Chapter 847 Adopted Amendments to Direct Aid to Public Education (\$ in millions)			
	FY 2007	FY 2008	Total
3.0 % Salary Increase, Dec. 1, 2007	\$0.0	\$63.9	\$63.9
Retiree Health Care Credit @ \$4/mo.	0.0	11.9	11.9
RHCC and Group Life Rates (OPEB)	0.0	4.3	4.3
Sales Tax for Education Forecast	0.0	4.2	4.2
Expand Early Reading Intervention	0.0	4.1	4.1
Pilots to Expand Preschool Availability	0.0	2.6	2.6
NOVA/DC Comb. Stat. Area - COCA	0.0	2.4	2.4
Career and Technical Equipment	0.0	0.5	0.5
Project WORD	0.0	0.3	0.3
Math Specialists Project	0.0	<0.2	<0.2
Transportation of Foster Children	0.0	<0.2	<0.2
Project Discovery	0.0	0.1	0.1
Jobs for Virginia Graduates	0.0	0.1	0.1
Revised ADM Forecast	(20.4)	(35.8)	(56.2)
Other Technical Updates	(13.4)	(10.3)	(23.7)
Revised Lottery Forecast - NC Effect	(8.0)	(8.0)	(16.0)
Transfer Chapter 10 Savings from C.A.	(2.9)	(2.9)	(5.8)
At-Risk Add-On Redirected	<u>0.0</u>	<u>(2.6)</u>	<u>(2.6)</u>
TOTAL	(\$44.7)	\$35.1	(\$9.6)

- **Direct Aid to Public Education**

- ***Three Percent Salary Increase, December 1, 2007.*** Adds \$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 receive the state funds, participation by localities is not mandated.

- A corresponding amendment in the Central Appropriations budget transfers the \$22.0 million GF reserve for a second year salary increase established in Chapter 10 to Direct Aid to fund a portion of this cost.
-

Retiree Health Care Credit and Group Life Contribution Rate Changes.

- Adds \$11.9 million GF in the second year for the state's share of the cost of increased health insurance credits consistent with the Senate Bill 1218/House Bill 2370, which increases the monthly credit from \$2.50 to \$4.00 per month, per year of service, with no cap on the number of years of service. The effective date is July 1, 2007.
- Also, 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.

- The final contribution rate for the Retiree Health Care Credit based on these two sets of actions is 1.16 percent.

–

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 approved 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.
- Additional general fund changes included in the adopted budget are based on the forecast for sales tax for education based on actual collections for sales tax on food, which makes no net change in the first year and adds a net \$1.5 million GF in the second year.
 - In the first year, an additional increase of \$3.4 million in the amount of sales tax for public education results in a Basic Aid reduction of \$1.9 million for a net increase to localities of \$1.5 million. However, the corresponding reduction in the one-time hold harmless correction funding, results in no net changes in the first year.
 - In the second year, an additional increase of \$3.5 million in the amount of sales tax for public education results in a Basic Aid reduction of \$1.9 million, for a net increase to localities of \$1.5 million.
- ***Expand Early Reading Intervention to All Eligible 1st & 2nd 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 1st and 2nd 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 1st and 2nd graders, and 25 percent of 3rd graders who need intervention.
- ***Pilot Projects to Expand Preschool Availability.*** Adds \$2.6 million GF in the second year for total Virginia Preschool Initiative (VPI) funding of \$53.2 million GF in the second year, to expand the availability of high quality early childhood pre-kindergarten programs.
 - Budget language specifies that: eligibility will be limited to those school divisions that have existing partnerships with private and/or non-profit providers; school divisions must use the funding to expand the availability of programs for at-risk students not served; school divisions must evaluate the providers using the Quality Standards checklist recommended by the National Institute for Early Education Research; and the Department of Education must submit an interim report by December 1, 2007 and final findings within 90 days after the end of the school year.

- ***At-Risk Add-On.*** Reduces funds by a net \$2.6 million GF in the second year by reducing the minimum percentage add-on (based on the number of economically disadvantaged students in a school division as measured by eligibility for free lunch programs) from 2.0 to 1.0 percent. (The maximum add-on remains at 12.0 percent.) In addition, this action ends the current practice of funding the program at a 96 percent proration level. New budget language requires school divisions to submit information on the planned uses of these funds to the Department of Education.

These net savings were redirected to the early childhood pilots discussed above.

- ***Cost of Competing.*** Adds \$2.4 million GF in the second year to include the remaining localities in the Washington DC Combined Statistical Area (Frederick, Winchester, and Culpeper) in the cost of competing adjustment at 25 percent of the full adjustments of 9.83 percent for instructional positions and 24.62 percent for support positions.
- ***Career and Technical Education Equipment.*** Adds \$500,000 GF in the second year for career and technical education equipment funding reimbursements statewide, bringing total funding for the program to \$2.3 million. Each school division receives a base of \$3,000 (up from \$2,000), with the additional funding distributed on the basis of enrollment in career and technical education courses.
- ***One-time Funding for Project WORD Alternative Education Program in Norfolk.*** Adds \$300,000 GF in the second year for Norfolk City schools for an alternative education program entitled Project WORD, Winning Options in Responding to Discipline.
- ***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.
- ***One-time Funding for Math Specialists Project.*** Adds \$150,000 GF in the second year to pay \$12,500 each for a portion of the salaries for 12 mathematics specialists that had been placed in five school divisions (Portsmouth – 2, Richmond City – 4, Stafford – 3, Spotsylvania – 1, and Virginia Beach – 2) through a National Science Foundation federal grant award that covered two years and ends June 2007.
- ***Project Discovery.*** Adds \$100,000 GF in the second year to increase the grant for Project Discovery to \$900,000. Project Discovery is a dropout prevention and college access preparatory program offered through 19 community action agencies throughout the state to 4th through 12th graders.

- ***Jobs for Virginia Graduates.*** Adds \$100,000 GF in the second year to increase the grant for Jobs for Virginia Graduates (JVG) to \$500,000. JVG assists high school seniors to remain in school, graduate, and successfully transition from school to career-based employment.
- ***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 about half of 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 GF in the first year and \$274,235 GF 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.

Incentive Programs

- **School Breakfast.** Adds \$168,951 GF each year for a total of \$1.1 million GF each year based on FY 2007 actuals. FY 2008 may require additional funding next session if projected increases materialize exceeding the allocation.

- **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 \$3.4 million GF in the first year by updating FY 2007 enrollment and retaining \$1.5 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 \$756,510 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 Academic Year program, based on Fall 2006 enrollment levels. Also, adds \$25,000 GF each year for summer residential Governor's Schools.
- **Education for a Lifetime Programs.** Reflects savings of \$408,379 GF the first year by capturing non-participation savings in the teacher mentoring program. Also, reflects savings of \$284,105 GF in the first year in the Hard-to-Staff Schools Pilot since the City of Franklin has indicated it will not participate in its third and final year in the program.
- ***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 downward 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 GF in lottery proceeds from FY 2005. These funds are allocated to offset the hold harmless sales tax payment discussed above.
- ***Language***
 - Moves language adopted in the 2006 session creating a staff workgroup to study SOQ rebenchmarking cost trends and drivers from DOE to a joint

legislative subcommittee in the Legislative Department, consisting of one Senate and one House budget committee member.

- Requires school divisions within the Tobacco Region to jointly explore ways to maximize their collective expenditure reimbursement totals for all eligible E-rate funding.
- 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)**

- ***Virginia Teaching Scholarship Loan Program.*** Adds \$150,000 GF in the second year increasing the funding for the Virginia Teaching Scholarship Loan Program to \$708,000. The additional funding will allow an additional 40 full-time scholarship awards of up to \$3,720 each to increase the number of teacher candidates pursuing careers in critical shortage areas.
- ***National Board Certification Awards Balances.*** Reduces funding by \$240,000 GF in the first year based on actual award payments for the year.
- ***Turnover Vacancy Balances.*** Reduces funding by \$500,000 GF in the first year by capturing anticipated turnover balances for the agency.

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

- ***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 Outlay 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.