

## Public Education

The Governor's proposed 2008-10 budget for Direct Aid to localities for Public Education results in a net biennial increase of \$1,080.7 million GF.

<b>Proposed Direct Aid To Public Education Budget</b>			
(GF \$ in millions)			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
Technical re-benchmarking (retirement costs amortized over 24 years)	\$439.0	\$503.5	<b>\$942.5</b>
3.5% salary increase for SOQ teachers and instructional positions, July 1, 2009; 3.0% for other SOQ positions	0.0	132.4	<b>132.4</b>
Literary Fund to cover \$171M in SOQ retirement costs in FY09; \$91M in FY10	(55.0)	25.0	<b>(30.0)</b>
VA Preschool Initiative for At-Risk Four-Year-Olds: Increase maximum per pupil amount to \$6,790 and minimum state share to 50%, and expand eligibility (plus \$14.9 million NGF TANF dollars in FY10)	15.1	15.1	<b>30.2</b>
Transfer three programs (corresponding reduction in Central Office budget)	3.4	3.4	<b>6.8</b>
New data coordinators in 54 high schools not fully accredited/not meeting AYP	0.0	2.1	<b>2.1</b>
Nat'l. board certified teachers bonuses	0.9	0.9	<b>1.8</b>
Virtual VA Advanced Placement (AP)	0.0	1.0	<b>1.0</b>
Grant to <i>Communities in Schools</i>	0.0	0.5	<b>0.5</b>
Career Switcher Mentor Program	0.1	0.1	<b>0.2</b>
VA Career Education Foundation grant	<0.1	<0.1	<b>&lt;0.2</b>
Project Discovery grant	0.0	0.1	<b>0.1</b>
Jobs for Virginia Graduates grant	(0.1)	(0.1)	<b>(0.2)</b>
Career & technical education equipment	(0.5)	(0.5)	<b>(1.0)</b>
Remove FY 2008 "one-time" funding	<u>(3.0)</u>	<u>(3.0)</u>	<b><u>(6.0)</u></b>
<b>TOTAL</b>	<b>\$400.1</b>	<b>\$680.6</b>	<b>\$1,080.7</b>

For the Department of Education (Central Office), the Governor's proposed budget includes a \$0.8 million GF increase to support the early childhood Phonological Awareness Literacy Screening (PALS); \$0.7 million GF and 3.0 positions for VPI evaluation and administration; and \$0.4 million NGF from a 15 percent increase in teacher licensure fees to support enforcement costs.

For the Virginia Schools for the Deaf, Blind, and Multi-Disabled, the proposed budget reflects a net decrease of \$2.7 million GF and 75 state positions by the second year due to consolidation of the state-operated residential program at Staunton and transition to a local regional day program in the Hampton Roads area.

- **Direct Aid to Public Education**

- *A listing, by locality, of the estimated funding for FY 2009 and FY 2010 Direct Aid to Public Education is included as Appendix A and B, respectively.*
- *Remove FY 2008 “One-time” Funding.* Removes from the biennial base funding that was provided on a one-time basis in FY 2008: \$2.6 million GF for preschool pilots; \$300,000 GF to Norfolk Public Schools for Project WORD alternative education/truancy program; \$200,000 GF for planning for the Middle Peninsula Regional Career and Technical Center; and \$150,000 GF for math specialists.
- *Reduce Career and Technical Education Equipment Funding.* Reduces funding for career and technical equipment by \$500,000 GF for a total annual allocation of \$1.8 million GF. An increase of \$500,000 GF was provided in FY 2008.
- *Reduce Jobs for Virginia Graduates Grant.* Reduces funding by \$100,000 GF for a total annual allocation of \$400,000. An increase of \$100,000 GF was provided in FY 2008.
- *Eliminate New Funding for Transportation of Foster Children.* Eliminates new funding of \$150,000 GF that had been provided in FY 2008 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.
- *Governor’s October 2007 Budget Reductions.* Continues the strategies announced in October 2007 for a savings of \$7,500 GF each year.

– *State's Share of Biennial Technical Re-benchmarking.*

<b>Summary of Factors Affecting Re-benchmarking Costs</b> (\$ in millions)			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
Enrollments	\$34.2	\$62.1	
Funded Instructional Salaries	117.0	117.3	
Health Care Premiums	62.1	62.4	
Base Year Expenditures	197.5	196.8	
Transportation	31.3	47.5	
Textbooks	12.5	12.6	
Inflation	41.0	43.8	
Incentive & Categorical	<u>24.6</u>	<u>39.1</u>	
<b>Subtotal: Prelim. Est. (July)</b>	<b>\$520.3</b>	<b>\$581.5</b>	<b>\$1,101.8</b>
Enrollments (Updated)	(64.0)	(87.4)	
Transportation (Updated)	1.4	1.4	
Benefits Rates	(29.3)	(29.5)	
Lottery	17.2	17.2	
Sales Tax	7.8	37.9	
Composite Index	4.9	5.0	
Incentive* & Categorical (Updated)	<u>(19.2)</u>	<u>(22.6)</u>	
<b>Cumulative Total</b>	<b>\$439.0</b>	<b>\$503.5</b>	<b>\$942.5</b>
<p><i>*\$16.3 in FY09 and \$17.5M in FY10 from the increased cost to fully fund the current VPI program without up-front capture of assumed non-participation savings is directed to VPI changes discussed below</i></p>			

- **Projected Enrollments.** Reflects estimates of student enrollment projections based on March 31, 2007 Average Daily Membership (ADM) and September 30, 2007 Fall Membership student totals. Enrollment is estimated to total 1,200,102 in the unadjusted ADM the first year, and 1,207,692 students the second year.

Also reflects various adjustments including updated special education, vocational education, and English as a Second Language child counts; updated SOL math and English test score data and free lunch eligibility data; and remedial summer school enrollment projections.

- **Funded Instructional Salaries.** Reflects increases in funded salary levels from 2006-08 to 2008-10 due to base year (FY 2006) prevailing salaries increased by the 4.0 percent compensation supplement provided by the

General Assembly for FY 2007 and 3.0 percent FY 2008. Funded salaries for elementary teachers increased from \$39,681 to \$44,337, or 11.7 percent. Funded salaries for secondary teachers increased from \$41,615 to \$46,230, or 11.1 percent.

- ***Health Care Premiums.*** Reflects costs associated with the prevailing health care premium increasing from \$4,301 to \$5,211, an increase of 22 percent over two years.
- ***Base Year Expenditures.*** Reflects various adjustments including base year (FY 2006) expenditure data; updating of school-level enrollment configurations; and updated data for the 30 percent federal revenue deduction.
- ***Transportation Costs.*** Reflects updated base year transportation cost data.
- ***Textbook Per Pupil Amount.*** Reflects increased per pupil prevailing textbook costs of \$119.39, compared with \$101.81 for 2006-08.
- ***Inflation Factors.*** Reflects costs associated with inflation factors (unweighted) of 5.39 percent.
- ***Funded Fringe Benefit Rates.*** Reflects the following rate adjustments relative to rates funded in Chapter 847 for FY 2008: 9.35 percent for VRS, from 10.30 percent; 1.12 percent for Retiree Health Care Credit, down from 1.16; and 0.36 percent for the employer's share of Group Life, down from 0.40percent.

The proposed rate of 9.35 percent is 2.49 points lower than the 11.84 percent rate adopted in October by the VRS Board. The lower rate reflects extending the amortization period to 24 years from 20 years and assuming an investment return rate of 8.0 percent rather than 7.5 percent.

- ***Projected Lottery Proceeds.*** Increases the net local share of Lottery proceeds due to a revised revenue estimate for FY 2009 and FY 2010 of \$450.0 million each year, up from \$405.4 million in FY 2008 in Chapter 847.
- ***Projected Sales Tax Revenue.*** 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.
- ***Composite Index.*** The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2003 to 2005. The composite index measures local wealth through true value of real property (50 percent) adjusted gross income (40 percent) and retail sales tax

collection (10 percent). The index is weighted two-thirds by ADM and one-third by population.

The index went up for 44 school divisions (i.e. because local wealth increased relative to the rest of the state, the locality is responsible for a larger percentage of SOQ costs); the composite index went down for 84 school divisions, and the composite index was unchanged for 8 school divisions.

- ***Incentive and Categorical Accounts.*** Reflects various adjustments to incentive and categorical accounts that are linked to SOQ funding factors, such as ADM enrollment or Basic Aid per pupil cost.
- ***State's Share of 3.5 Percent Salary Increase for SOQ Teachers and Other Instructional Positions July 1, 2009; 3.0 Percent for Other SOQ Positions.*** Adds \$132.4 million GF the second year for the state's share of a three percent salary adjustment, effective July 1, 2009, for all instructional and support positions that are prescribed by the SOQ, incentive-based and categorical funding formulas, plus an additional 0.5 percent for instructional positions. School divisions that wish to participate must certify to the Department of Education, no later than December 1, 2009 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.
- ***Literary Fund.*** Increases by \$55.0 million to \$171.1 million the first year of Literary Fund revenues to the general fund to offset a portion of teacher retirement costs. The second year decreases the amount by \$25.0 million to \$91.1 million. As shown below, it is anticipated that \$24.2 million would be provided for school construction loans and interest rate subsidies the first year and \$24.6 million the second year.

## Proposed Revisions to Literary Fund Sources & Uses

(\$ in millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
<b>Beginning Balance</b>	\$146.3	\$145.3	\$87.3
Projected Revenue	<u>211.5</u>	<u>202.3</u>	<u>197.9</u>
<b>Total Revenues &amp; Balances</b>	<b>357.8</b>	<b>347.6</b>	<b>285.2</b>
<b>Uses</b>			
Teacher Retirement	124.9	171.1	91.1
Technology Debt Service	63.6	64.6	65.4
Interest Rate Subsidy	13.6	14.2	14.6
School Construction Loans	10.1	10.0	10.0
Issuance costs	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
<b>Total Uses</b>	<b>212.2</b>	<b>259.9</b>	<b>181.4</b>
<b>Ending Balance</b>	<b>145.3</b>	<b>87.3</b>	<b>103.7</b>
Encumbrances	<u>(63.8)</u>	<u>(84.5)</u>	<u>(97.4)</u>
<b>Available Balance</b>	<b>\$81.5</b>	<b>\$2.8</b>	<b>\$6.3</b>

\* Includes \$8.8 million transferred by action taken in the Governor's Reduction Plan as a one-time transfer in FY08.

- *Virginia Preschool Initiative (VPI) for At-Risk Four-Year-Olds.* Adds a net \$15.1 million GF each year and \$14.9 million NGF (from TANF funds) the second year.

Several changes in the Virginia Preschool Initiative are proposed: 1) localities may request per pupil funding based on the state's share of between \$5,700 and \$6,790; 2) the minimum state share would be 50 percent (by capping the composite index at 0.5000 rather than 0.8000); 3) the at-risk criteria would change from free lunch to free-and-reduced-lunch; 4) each school division/grantee would be eligible for at least one classroom of nine slots; and 5) rather than the current practice of capturing any non-participation savings, "initial allocations" would be based on participation factors of 55 percent the first year and 66 percent the second year (at the maximum per pupil amount of \$6,790), with new provisions regarding the allocation of any program balances or shortfalls. In addition, charitable or business contributions may count towards the required local match and at least 10 percent of the new additional slots must be available for public-private partnerships.

Based on a total VPI appropriation of \$68.2 million the first year and \$83.0 million the second year, (at the maximum per pupil amount of \$6,790) the number of

students served could increase by 6,136, from 13,125 in FY 2008 to 19,261 by FY 2010.

In addition, \$340,100 GF each year and 3.0 positions are added in the Department of Education's Central Office budget for evaluation and administration and \$379,550 GF each year for expansion of the early childhood diagnostic assessments (PALS) along with \$10.6 million over the biennium related to pre-kindergarten is budgeted in the Department of Social Services.

<b>Proposed Changes in Virginia Pre-School Initiative Programs</b> (\$ in millions)			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
<b>Uses</b>			
Direct Aid - VA Preschool Init. (VPI)	\$15.1	\$29.9	\$45.0
DOE - Evaluation/administration	0.3	0.3	0.7
DSS - Quality Ratings System	1.3	3.3	4.7
DSS - Professional Development	1.0	3.0	4.0
DSS - VA Early Childhood Found.	<u>0.5</u>	<u>1.5</u>	<u>2.0</u>
<b>Total</b>	<b>\$18.2</b>	<b>\$38.1</b>	<b>\$56.3</b>
<b>Sources</b>			
From the re-benchmarking increase to fully fund current VPI*	\$16.3	\$17.5	\$33.8
New GF Dollars	1.9	5.8	7.7
NGF - TANF	<u>0.0</u>	<u>14.9</u>	<u>14.9</u>
<b>Total</b>	<b>\$18.2</b>	<b>\$38.1</b>	<b>\$56.3</b>
<i>*Without up-front capture of assumed non-participation savings</i>			

- ***New Data Coordinators for High Schools Not Fully Accredited.*** Adds \$2.1 million GF the second year for data coordinators for 54 high schools not fully accredited or not meeting Adequate Yearly Progress. (The State Board of Education had proposed revising the Standards of Quality to require one data coordinator per 1,000 students at an estimated cost of \$42 million in FY 2009.)

In addition, new language requires school divisions to first use any new At-Risk Add-On funding that exceeds the amounts received in FY 2008 (+\$7.5 million in FY 2009 and +\$7.1 million in FY 2010) to place data coordinators or purchase similar services in schools not fully accredited or not meeting Adequate Yearly Progress.

- ***Awards for National Board Certified Teachers.*** Adds \$926,625 GF each year for a total allocation of \$3.5 million each year to provide awards to teachers who receive national board certification. The increased funding is based on current estimates of the number of teachers who will be eligible in FY 2009, but does not account for likely growth in FY 2010.
- ***Expand Virtual Virginia Advanced Placement.*** Adds \$960,000 GF the second year. Currently, demand for the courses exceeds the number of slots available. The increased funding would allow 800 students to participate in the courses offered.
- ***Grant to Communities in Schools.*** Adds \$500,000 GF the second year for the Communities in Schools Program. In FY 2007, \$500,000 GF was provided to match a Gates Foundation grant to develop business-like learning environments called “performance learning centers.”
- ***Increase Career Switcher Mentor Funding.*** Adds \$100,000 GF each year to help meet actual and projected participation. The program is designed to encourage individuals from various occupational and life experiences to become classroom teachers, thereby increasing the quality and diversity of applicants to the profession.
- ***Increase Project Discovery Grant.*** Adds \$100,000 GF the second year to increase the existing \$900,000 grant to Project Discovery, a drop-out prevention and college access preparatory program offered through community action agencies to 4<sup>th</sup> through 12<sup>th</sup> graders.
- ***Increase Virginia Career Education Foundation Grant.*** Adds \$75,000 GF each year for a total annual grant of \$125,000.
- ***Transfer Three Programs from Central Office Budget to Direct Aid Budget.*** Increases funding in the Direct Aid budget by \$2.6 million GF each for National Board Teacher Certification bonuses and incentive grants; \$558,000 GF each year for the Virginia Teaching Scholarship Loan program; and \$229,392 GF each year for the Career Switcher Program. There is a corresponding decrease for each program in the Central Office budget.
- ***Increase NGF Appropriation to Reflect Actual Federal Special Education Awards.*** Adds \$100.0 million NGF each year to reflect actual awards.
- ***NGF Virginia Public School Authority (VPSA) Debt Service Payments - Conforms Appropriation to Actual Practice.*** Removes Direct Aid budget appropriation of \$64.6 million NGF each year to reflect actual practice. The Department of Treasury handles the payment of debt service for the technology equipment notes from the Literary Fund.



- **Department of Education.** Proposes a net reduction of \$3.1 million GF each year, an increase of \$2.3 million NGF the first year and \$2.4 million NGF the second year, and increase of 4.0 positions, for a total annual budget of \$57.1 million GF, \$64.1 million NGF, and 343.0 positions.
  - *Governor’s October 2007 Budget Reductions.* Continues the strategies announced in October 2007 for a savings of \$1.4 million GF and adds \$791,653 NGF each year.
  - *Technology Rates.* Captures savings of \$309,710 GF each year due to new information technology rates.
  - *Reduce Virginia Teaching Scholarship Loan Program.* Reduces funding by \$150,000 GF each year for a total annual allocation of \$558,000 GF. An increase of \$150,000 GF was provided in FY 2008 to increase from 150 to 190 the number of full-time scholarships of \$3,720 available to increase the number of teacher candidates pursuing careers in critical shortage areas.
  - *Increase Funding for Early Childhood Phonological Awareness Literacy Screening (PALS).* Adds \$379,550 GF each year for the Phonological Awareness Literacy Screening (PALS) contract with the University of Virginia’s Curry School of Education.
  - *Virginia Preschool Initiative (VPI) Evaluation and Administration.* Adds \$340,100 GF each year and 3.0 positions to provide program monitoring and technical assistance, financial management, and evaluation.
  - *Increase Teacher Licensure Fee by 15 Percent to Fund Enforcement.* Adds \$188,950 NGF and two positions the first year and \$203,400 NGF the second year to process cases for license denial, suspension, or revocation. The funding is supported by a fifteen percent increase in the current licensure fee schedule, which has been in place since 1996. Currently, the fee for an initial license is \$50 in-state and \$75 out-of-state. License renewal is \$25.
  - *Transfer Three Programs from Central Office Budget to Direct Aid Budget.* Reducing funding in the Central Office budget by \$2.6 million GF each year for National Board Teacher Certification bonuses and incentive grants; \$558,000 GF each year for the Virginia Teaching Scholarship Loan program; and \$229,392 GF each year for the Career Switcher Program. There is a corresponding increase for each program in the Direct Aid budget.
- **Virginia School for the Deaf, Blind, and Multi-Disabled.** Reflects a combined net decrease of \$2.7 million GF and 75 state positions by the second year due to consolidation of the state-operated residential program at Staunton and transitioning to a local regional day program in the Hampton Roads area. Of the 41 current VSDBM-Hampton students, it is expected that 14 would attend the consolidated program in Staunton, 18 would

attend a local regional day program, 3 would attend their home school division, and 4 students will age out of the program.

- **Hampton.** Reduces funding by a net \$3.1 million GF and \$0.5 million NGF the first year and \$6.6 million GF and \$0.5 million NGF the second year.
  - **Transfer 53 Positions.** Reduces funding by \$3.6 million GF and \$247,740 NGF the first year and \$3.3 million GF and \$227,124 NGF the second year, and 53.0 positions.
  - **Retains \$3.6 Million GF in FY 2009 for Transition Costs.** Reduces funding by \$249,199 NGF and 75 positions the first year and \$3.8 million and \$270,815 NGF the second year, leaving \$3.6 million GF the first year to support transition of the Hampton school.
- **Staunton.** Adds a net \$4.2 million GF and \$0.3 million NGF the first year and \$3.9 million GF and \$0.3 million NGF the second year, for a total operating budget in FY 2010 of \$11.1 million GF, \$1.4 million NGF, and 196.0 positions.
  - **Transfer 53 Positions.** Adds \$3.3 million GF the first year and \$3.1 million GF the second year, \$248,919 NGF each year, and 53.0 positions.
  - **Increased Operating Costs Due to Consolidation.** Adds \$320,273 GF the first year and \$237,843 GF the second year for recruitment and hiring; utilities and food; transportation; campus security and training; and technology services.
  - **\$2.5 Million GF Capital for Roofs and Safety.** In the capital budget, adds \$2.5 million GF to repair and replace roofs and to remove lead paint and asbestos and other safety hazards.