

## Public Education

The adopted 2008-10 budget for Direct Aid to localities for Public Education results in a net biennial budget of \$11.7 billion GF and \$2.9 billion NGF. This reflects a net increase over the base budget of \$1.0 billion (all funds), primarily due to the technical formula-driven re-benchmarking cost updates. Other key changes include:

- An increase in Literary Fund revenues to the general fund to offset a portion of teacher retirement costs of \$70.0 million the first year up to \$186.1 million, and a decrease of \$5.0 million the second year down to \$111.1 million. It is anticipated that \$30.0 million the first year and \$20.0 million the second year would be provided for school construction interest rate subsidies.
- \$77.6 million GF the second year for the state's share of a 2 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. School divisions that wish to participate must certify to the Department of Education 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.
- An additional \$21.8 million over the biennium for the Virginia Preschool Initiative for at-risk four-year-olds to increase the per pupil amount from the state's share of \$5,700 to \$6,000 to benefit all participating school divisions, and beginning in the second year the minimum state share would be 50 percent (by capping the composite index at 0.5000 rather than 0.8000) to encourage the 27 affected localities to utilize more of their unfilled slots.
- Accounting for Lottery Proceeds as nongeneral funds (NGF), rather than as general funds (GF). The adopted budget appropriates profits directly from Lottery Proceeds Fund to counties, cities and towns for certain programs, including the Virginia Preschool Initiative, Early Intervention Reading, K-3 Class Size Reduction, SOL Algebra Readiness, Additional Support for School Construction and Operating Costs, and others.

For the Virginia Schools for the Deaf, Blind, and Multi-Disabled, the adopted budget reflects a combined net decrease of \$4.0 million GF and 81.0 FTE 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.*
- *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 Virginia Preschool

Initiative 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.

- ***Education for a Lifetime Programs.*** Reduces funding by \$1.8 million GF each year by eliminating funding for teacher incentives for hard-to-staff schools, turnaround specialists, and leadership development grants; and by \$1.3 million GF each year by level funding the Mentoring and Induction program and the Virginia Teacher Corps (middle school math specialists).
- ***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.
- ***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.
- ***Incentive Grants for Teachers Seeking National Board Certification.*** Eliminates \$75,000 GF each year that supported a portion of the application costs for teachers seeking National Board Certification.
- ***State's Share of Biennial Technical Re-benchmarking.***
  - ***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 adjusting the base year (FY 2006) prevailing salaries by the 4 percent compensation supplement provided by the General Assembly for FY 2007 and 3 percent FY 2008. Funded salaries for elementary teachers increased from \$39,681 to \$44,337. Funded salaries for secondary teachers increased from \$41,615 to \$46,230.
  - ***Health Care Premiums.*** Reflects costs associated with the prevailing health care premiums.

- ***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 \$118.52, compared with \$101.81 for 2006-08.
- ***Inflation Factors.*** Reflects costs associated with inflation factors, with full credit given for the first 3 percent and 50 percent of inflation between 3 and 7 percent.
- ***Funded Fringe Benefit Rates.*** Reflects the following rate adjustments relative to rates funded in Chapter 847 of the 2007 Acts of Assembly (HB1650): 8.81 percent for VRS, down from 10.30 percent; 1.08 percent for Retiree Health Care Credit, down from 1.16 percent; and 0.33 percent for the employer's share of Group Life, down from 0.40 percent. The rates reflect extending the amortization period to 30 years and assuming an investment return rate of 8 percent.
- The adopted rate of 8.81 percent is 3.03 points lower than the 11.84 percent rate adopted in October by the VRS Board. The lower rate reflects extending the amortization period to 30 years from 20 years and assuming an investment return of 8.0 percent rather than 7.5 percent.
- ***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 over the FY 2008 amounts.
- ***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 funding); the composite index went down for 84 school divisions, and the composite index was unchanged for 8 school divisions.
- ***Projected Lottery Proceeds.*** Increases the estimate of projected Lottery proceeds for FY 2009 and FY 2010 to \$461.0 million each year, up from

\$405.4 million in FY 2008 in Chapter 847, 2007 Acts of Assembly (HB1650).

In addition, the adopted budget accounts for Lottery Proceeds as non-general funds (NGF), rather than as general funds (GF) and appropriates profits directly from the Lottery Proceeds Fund to counties, cities and towns for certain programs, including the Virginia Preschool Initiative, Early Intervention Reading, K-3 Class Size Reduction, Algebra Readiness, Additional Support for School Construction and Operating Costs, At-Risk, Remedial Summer School, Foster Care, Enrollment Loss, Mentor Teacher, and School Breakfast.

- *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.
- *Joint Subcommittee on Elementary and Secondary Education Funding.* Increases the membership from two to eight legislators and directs the subcommittee to study the Commonwealth's use of the prevailing salary and cost approaches to funding the Standards of Quality, as compared with alternative approaches, and to review the "federal revenue deduct" methodology.
- *State's Share of 2 Percent Salary Increase for All SOQ-Funded Positions July 1, 2009.* Adds \$77.6 million GF the second year for the state's share of a 2 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. School divisions that wish to participate must certify to the Department of Education 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 \$70.0 million to \$186.1 million the first year Literary Fund revenues to the general fund to offset a portion of teacher retirement costs. The second year decreases the amount by \$5.0 million to \$111.1 million. It is anticipated that \$30.0 million the first year and \$20.0 million the second year would be provided for school construction interest rate subsidies.
- *Virginia Preschool Initiative (VPI) for At-Risk Four-Year-Olds.* Adds \$6.8 million the first year and \$15.0 million the second year for a total VPI appropriation of \$59.9 million the first year and \$68.1 million the second year from the Lottery Proceeds Fund. The additional funding provides an increase in the per pupil amount from the state's share of \$5,700 to \$6,000. Beginning in the second year the minimum state share would be 50 percent (by capping the composite index at 0.5000 rather than 0.8000). The number of formula-generated student slots is 20,705 in FY 2009 and 21,072 in FY 2010. The appropriation assumes a 19 percent non-participation rate in the first year and a 15 percent non-participation rate the second year. Language authorizing the Department of Education to

provide one-time start-up/expansion grants was retained.

- ***New Data Coordinators for Schools Not Fully Accredited.*** New language permits school divisions to 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. Data coordinators support data analysis and interpretation for instructional purposes as well as the overall data management and administration of state assessments.
- ***Awards for National Board Certified Teachers.*** Adds \$1.1 million GF the first year and \$926,625 GF the second year for a total allocation of \$3.7 million GF the first year and \$3.5 million GF the second year to provide awards to teachers who receive national board certification (\$5,000 initial awards, and \$2,500 annual awards for the remaining nine years). 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.
- ***Virginia Teaching Scholarship Program.*** Restores \$150,000 GF each year for the Virginia Teaching Scholarship Loan program that was eliminated in the introduced budget.
- ***Governor's Schools.*** Adds \$100,000 GF the first year for planning for a new Governor's School to serve Prince William and Manassas; adds \$111,017 GF the second year to increase the funding cap from 1,500 to 1,600 students; and adds \$18,353 GF the first year and \$34,412 GF the second year for Madison County students to attend Blue Ridge Virtual Governor's School.
- ***Transfer Programs from Central Office Budget to Direct Aid Budget.*** Increases funding in the Direct Aid 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 decrease for each program in the Central Office budget.
- ***NGF Appropriation to Reflect Actual Federal 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 the 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.** In addition to continuing the strategies announced in October 2007 for a savings of \$1.4 million GF each year, the adopted budget also reflects a net reduction of \$3.8 million GF each year for a total annual GF budget of \$56.4 million.

- **Technology Rates.** Captures savings of \$309,710 GF each year due to new information technology rates.
- **Commission on Civics Education.** Adds \$81,000 GF each year for costs associated with the Commission on Civics Education.
- **Transfer Programs from Central Office Budget to Direct Aid Budget.** Reduces 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 \$4.0 million GF and 81.0 FTE 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, three would attend their home school division, and four students will age out of the program.
  - **Hampton.** Reduces funding by a net \$3.5 million GF and \$0.5 million NGF the first year and \$7.0 million GF and \$0.5 million NGF the second year.
    - **Transfer Positions.** Reduces funding by \$3.5 million GF and \$248,740 NGF the first year and \$3.2 million GF and \$227,124 NGF the second year, and 51.0 FTE positions.
    - **Retain Funding for Transition Costs.** Reduces funding by \$249,199 NGF and 75.0 FTE 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 \$3.2 million GF and \$248,919 NGF the first year and \$3.0 million GF and \$248,720 NGF the second year, for a total operating budget in FY 2010 of \$11.0 million GF, \$1.3 million NGF, and 190.0 FTE positions.
    - **Transfer Positions.** Adds \$2.8 million GF and \$0.2 million NGF each year, and 45.0 FTE 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.