

Public Education

In addition to the Governor's September 2009 Budget Reduction Plan of \$231.1 million GF, the adopted amendments decrease Direct Aid to localities for Public Education by an additional \$319.0 million GF in FY 2010, for a total reduction of \$550.1 million GF or 10.3 percent, compared to Chapter 781 of the 2009 Acts of Assembly. Net of an additional \$219.0 million in federal stabilization dollars, \$72.0 million in Literary Fund revenue and \$9.9 million from Lottery proceeds, the total reduction is \$249.2 million or 3.5 percent, compared to Chapter 781. The total FY 2010 Direct Aid budget equals \$4,769.8 million GF and \$2,056.4 million NGF.

In addition to the \$365.2 million in federal stabilization funds already allocated for FY 2010 in Chapter 781, the adopted amendments bring the FY 2010 total federal stabilization funds to \$584.2 million, leaving \$126.4 million available for K-12 in FY 2011.

Consistent with adopted actions for state employees, the Governor's September 2009 reduction plan reflected estimated state savings of \$59.4 million GF from the suspension of the employer's share of retirement and other benefits contribution rates in the 4th quarter. Other adopted amendments to the FY 2010 budget eliminate \$79.6 million GF for the state's share of textbooks and remove the routine rebenchmarking update for inflation to bring base year cost data up to the beginning of the biennium for a savings of \$61.3 million GF in FY 2010.

Summary of Adopted Caboose Bill Amendments to Direct Aid			
(FY 2010 \$ in millions)			
	<u>GF</u>	<u>NGF</u>	<u>All</u>
Supplant GF with federal stabilization funds	(\$68.9)	\$68.9	\$0.0
Suspend 4 th Quarter employer retirement rates	(59.4)	0.0	(59.4)
Use additional Literary Fund for retirement	(55.0)	55.0	0.0
Update Sales Tax estimate	(37.6)	0.0	(37.6)
FY 2009 Lottery Proceeds (<i>NGF adj. in Dec.</i>)	(9.9)	9.9	0.0
Reduce supplemental grants, etc. by 10 percent	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Subtotal: Governor's Sept. 2009 Reductions	(\$231.1)	\$133.8	(\$97.3)
Supplant addtl. GF with stabilization funds	(150.1)	150.1	0.0
Eliminate textbook funding	(79.6)	0.0	(79.6)
Eliminate rebenchmarking inflation update	(61.3)	0.0	(61.3)
Supplant additional GF with Literary Fund	(17.0)	17.0	0.0
Capture additional savings from 4 th Q retirement	(9.8)	0.0	(9.8)
Delay 4 th Q state-operated program payments	(8.2)	0.0	(8.2)
Net technical updates	<u>7.0</u>	<u>0.0</u>	<u>7.0</u>
Total	(\$550.1)	\$300.9	(\$249.2)

The adopted 2010-12 biennial budget for Direct Aid to Public Education results in a net general fund decrease of \$997.5 million, comprised of \$392.9 million as proposed in the introduced budget, plus an additional net \$258.8 million in reductions as well as savings of \$345.8 million from lower benefits contribution rates. The Direct Aid budget equals \$4,739.3 million GF and \$1,540.4 million NGF for FY 2011 and \$4,903.1 million GF and \$1,400.6 million NGF for FY 2012.

The adopted actions include a net biennial increase of \$273.3 million GF for technical re-benchmarking updates, \$203.6 million GF for the FY 2011 update of the Composite Index and for “hold-harmless” funding, and debt service funding to restore the VPSA technology equipment grants program in both years.

Summary of Adopted Actions for Direct Aid to Public Education			
FY 2010-12			
(GF \$ in millions)			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
Rebenchmarking	\$113.9	\$159.4	\$273.3
National Board Certification bonuses for teachers	0.5	0.5	1.0
Reduce supplemental grants, etc. by 15 percent	(0.4)	(0.5)	(0.9)
Savings due to MH closures (<i>See below.</i>); 4 th Qtr delay	(1.9)	(2.4)	(4.3)
Eliminate rebenchmarking inflation update	(4.7)	(4.7)	(9.5)
Literary Fund, incl. ending VPSA grants (<i>See below.</i>)	(2.0)	(15.0)	(17.0)
Delay Composite Index rebenchmarking (<i>See below.</i>)	(29.5)	0.0	(29.5)
Distribute Central Appropriations amounts	(18.2)	(18.2)	(36.4)
Supplant GF with remaining stabilization funds	(126.4)	0.0	(126.4)
Eliminate certain school expenditures from SOQ	(87.0)	(87.3)	(174.3)
Fund health care based on actual participation	<u>(134.2)</u>	<u>(135.0)</u>	<u>(269.2)</u>
Subtotal (as of the Introduced Budget)	<u>(\$289.8)</u>	<u>(\$103.1)</u>	<u>(\$392.9)</u>
Update Composite Index and hold-harmless	\$146.0	\$57.6	\$203.6
Restore SOP at Staunton	1.4	1.9	3.4
New Governor’s School	0.2	0.3	0.5
Literary Fund: Balances, Debt Serv., & Speeding Fines	(16.6)	9.8	(6.8)
Reduce Project Discovery	(0.1)	(0.1)	(0.2)
Extend school bus replacement cycle	(9.8)	(9.6)	(19.4)
Update federal deduct percentage	(17.0)	(17.0)	(34.0)
Reduce textbook funding	(15.6)	(18.5)	(34.1)
Technical corrections	(29.4)	(29.6)	(59.0)
Eliminate additional school expenditures from SOQ	(34.7)	(34.8)	(69.5)
Include \$0 values in LWA calculation	(39.2)	(39.5)	(78.7)
Changes to Lottery-funded programs	(87.3)	(77.5)	(164.8)
Benefit contribution rates for VRS, Grp. Life, & RHCC	<u>(189.0)</u>	<u>(156.8)</u>	<u>(345.8)</u>
Subtotal (additional actions)	<u>(\$291.1)</u>	<u>(\$313.9)</u>	<u>(\$605.0)</u>
TOTAL	<u>(\$580.9)</u>	<u>(\$417.0)</u>	<u>(\$997.5)</u>

Reductions include continuing the FY 2010 elimination of the rebenchmarking inflation update for biennial savings of \$9.5 million GF, state savings of \$243.8 million GF due to eliminating certain school expenditures from SOQ Basic Aid calculations, \$269.2 million GF by funding health care premiums based on statewide actual participation rates, \$59.0 million GF due to four technical corrections, and \$164.8 million GF related to changes in Lottery-funded programs.

HB29 (Chapter 872)

- **Direct Aid to Public Education**
 - *A listing, by locality, of the estimated funding for FY 2010 Direct Aid to Public Education is included as Appendix A.*
 - *Governor’s September 2009 Budget Reductions.*
 - *Supplant GF with Stabilization Dollars.* Reduces funds by \$68.9 million GF, which is supplanted with a like amount of federal stabilization funds. This action accelerates to FY 2010 federal funds that would otherwise be available for use in FY 2011. (In Chapter 781, \$365.2 million in federal stabilization funds were allocated to backfill 86 percent of certain reductions, including those from a cap on funding for support positions.)
 - *Suspension of 4th Quarter Retirement and Other Benefits Rates.* Saves \$59.4 million GF by eliminating the FY 2010 4th quarter payments of the employer’s share of Virginia Retirement System, Group Life, and Retiree Health Care Credit Rates. Likewise, the estimated local savings will be about \$140 million.
 - *Use Additional Literary Fund Revenue for Retirement.* Supplants \$55.0 million GF by using additional Literary Fund revenue (\$30.0 million in excess balances from last year, \$15.0 million in special unclaimed property actions from the remittance of unclaimed stock holdings, and a \$10.0 million increase in the forecast) for retirement costs.
 - *Revised Sales Tax Forecast (August 2009).* Reduces funding by a net \$37.6 million GF due to the Basic Aid offset from the downward revision in the Sales Tax forecast. The revised forecast for the 1 1/8 cent dedicated to Public Education is estimated to decrease by about \$85.3 million, of which \$47.7 million is offset by the required Basic Aid backfill.
 - *FY 2009 Lottery Proceeds.* Reduces general funds by \$9.9 million by reassigning the academic year portion of the Governor’s Schools funding to the Lottery Service Area, while transferring School Breakfast back to the incentive accounts funding, due to the availability of \$9.9 million in Lottery Proceeds from FY 2009.

- ***Grants to Supplemental Programs.*** Saves \$221,773 GF by reducing grants to the following supplemental programs by 10 percent each: Project Discovery, Jobs for Virginia Graduates, Career and Technical Education Resource Center, Great Aspirations Scholarship Program, Southwest Virginia Public Education Consortium, Van Gogh Outreach Program, Southside Virginia Technology Consortium, and Virginia Career Education Foundation.
 - ***Other 10 Percent Reductions.*** Saves \$37,500 GF by reducing support for the Clinical Faculty program that assists pre-service teachers and beginning teachers in making a successful transition to full-time teaching; \$32,939 GF by reducing funding for the Career Switcher Mentoring grants to school divisions that employ mentor teachers for new teachers entering the profession through the alternative route to licensure; and \$4,750 GF by reducing support for the Virginia Technology Alliance that provides teacher training opportunities in the effective use of educational technologies used in adult education and literary programs.
- ***Supplant Additional K-12 GF with Stabilization Dollars.*** Since the Governor’s September 2009 reductions to Higher Education in the waiver request would not meet the federal maintenance-of-effort requirements, the adopted amendments essentially switch the GF reductions and allocations of stabilization funds in Higher Education, and instead allocate an additional \$150.1 million of federal stabilization dollars to K-12 in FY 2010, which is offset by a like amount of general fund reductions in K-12.

In addition to the \$365.2 million federal stabilization funds allocated in Chapter 781 to help back-fill certain reductions, and the \$68.9 million proposed in September, the additional adopted amendment of \$150.1 million brings the FY 2010 total federal stabilization funds for K-12 to \$584.2 million, leaving a remaining amount for K-12 in FY 2011 of \$126.4 million.

- ***Eliminate Textbook Funding for the Current Year.*** Saves \$79.6 million GF by eliminating state support for textbooks. Since payments have already been made to school divisions through December 16, 2009, such payments would be deducted from the remaining Basic Aid payments.

Language encourages localities and school divisions to use all or a portion of the estimated \$140.0 million in local savings from the suspension of the 4th quarter retirement and benefits rates to purchase textbooks and instructional materials.

Language in HB 30 (Chapter 874) directs the Department of Education to use the higher of the FY 2009 or FY 2010 division-level textbook per pupil amount for purposes of calculating the 2012-14 biennium rebenchmarking.

- ***Eliminate Rebenchmarking Inflation Update for Nonpersonnel Costs.*** Saves \$61.3 million GF in FY 2010 by proposing to eliminate the routine rebenchmarking

update of inflation to bring base year cost data up to the beginning of the biennium.

- ***Supplant Additional GF with Literary Fund.*** In addition to the \$55.0 million proposed in the Governor's September 2009 plan, the adopted budget reduces funding by an additional \$17.0 million GF by using additional Literary Fund revenue for retirement costs.
- ***Capture Additional Savings from 4th Quarter Retirement Action.*** Captures an additional \$9.8 million GF, beyond the \$59.4 million GF amount as estimated under the Governor's September 2009 reduction plan, from the suspension of the 4th quarter employers' share of retirement and benefits contributions.
- ***Delay 4th Quarter Payments for State Operated Educational Programs.*** Saves \$8.2 million GF by delaying the 4th quarter payments to school divisions that operate "state operated programs" to the first quarter of the FY 2011. Currently the payments are made on an estimated basis in June of each fiscal year.
- ***Technical Updates.*** Adds \$14.5 million GF due to an increase in the unadjusted enrollment forecast of 1,806 students, for a total of 1,205,344 students; adds \$391,860 to address a correction to the 2008 triennial census count data from Dinwiddie and Greene; captures savings of \$3.1 million in remedial summer school costs and \$2.9 million in English as a Second Language costs based on actual enrollments; and captures savings of \$1.9 million in various incentive and categorical accounts based on actual usage and enrollment data.

In addition, technical updates to the Lottery-funded programs result in savings that are added into the balancer account for "Support for School Construction, Operating Costs, and Textbooks", bringing the total up from \$60.8 million in Chapter 781 to \$72.4 million for FY 2010.

- ***Carry Over Language Continued.*** Allows localities to carryover into FY 2011 any remaining state fund balances available.

- **Department of Education**

- ***Governor's September 2009 Budget Reductions.*** Saves \$3.0 million GF in FY 2010.
 - ***Revert Balances.*** Captures balances of \$1.2 million GF from FY 2009.
 - ***Hold Classified Positions Vacant.*** Captures savings of \$544,927 GF by holding 5 positions vacant.
 - ***Fund with NGFs.*** Captures savings of \$456,188 GF by funding the Partnership for Achieving Successful Schools (PASS) initiative with nongeneral fund resources; \$300,000 by funding academic reviews with federal funds; and \$134,017 GF by funding 5 wage positions with nongeneral funds.

- *Reduce Project Graduation On-Line Tutorials in Reading and Algebra.* Captures savings of \$168,210 GF.
 - *Reduce Rent, Postage, Supplies, Printing, and other Nonpersonnel Services.* Captures savings of \$100,000 GF.
 - *Eliminate Wage and Classified Positions.* Captures savings of \$62,918 by laying off 1 classified position and \$27,710 GF by eliminating 1 wage position.
- **Virginia School for the Deaf and Blind**
 - *Governor's September 2009 Budget Reductions at Staunton.* Saves \$1.0 million GF in FY 2010.
 - *Revert Balances.* Captures balances of \$499,977 GF from FY 2009.
 - *Reduce Hourly Staff and Increase Price for Staff Meal Tickets.* Reduces funding by \$499,977 GF in FY 2010 by decreasing the number of hourly staff for housekeeping, interpreting, campus safety, residential advisors, bus assistants, behavior assistants, and food staff and increases the price for staff meal tickets.
 - *Security at Hampton.* Adds \$50,000 GF in FY 2010 for campus security to prevent theft and vandalism at the closed facility.
 - *Revert Cash Balance and Revenue From Leased Space at Hampton.* Transfers \$353,026 NGF balances from FY 2009 to the general fund and deposits projected revenue of \$27,726 from the City of Hampton for leased space at the campus.

HB30 (Chapter 874)

- **Secretary of Education**
 - *Public Broadcasting.* Reduces funding for community service grants to public television stations by \$730,073 GF each year, an additional 15 percent reduction from the introduced budget.
 - *Distribute Fall 2008 Budget Reductions.* Reduces funding by \$42,103 GF each year and 1 position by adjusting the agency's budget to reflect amounts which had previously been reflected in Item 54.05 within the Executive Agency of Chapter 872.
 - *Distribute Central Appropriations Amounts to Agency Budget.* Reduces funding by \$7,959 GF each year by adjusting the agency budget to reflect previously approved management savings.

- **Direct Aid to Public Education**

- *Listings, by locality, of the estimated funding for FY 2011 and FY 2012 Direct Aid to Public Education are included as Appendix A and B, respectively.*
- **State's Share of Biennial Technical Rebenchmarking.** Technical updates as of July 2009 added \$59.7 million GF in FY 2011 and \$78.9 million GF in FY 2012. In addition, the following subsequent updates were made: an additional \$45.5 million GF in FY 2011 and \$45.7 million GF in FY 2012 for updated funded fringe benefits rates; an additional \$32.7 million GF in FY 2011 and \$39.0 million GF in FY 2012 for updates for the recalculation of the Composite Index; an additional \$845,217 GF in FY 2011 and \$4.8 million in FY 2012 for other updates; and a decrease of \$24.8 million GF in FY 2011 and \$9.0 million due to the updated sales tax revenue projections, for a grand total for rebenchmarking of \$113.9 million GF in FY 2011 and \$159.4 million GF in FY 2012.
 - **Projected Enrollments.** Reflects estimates of student enrollment projections based on March 31, 2009 Average Daily Membership (ADM) and September 30, 2009 Fall Membership student totals. Enrollment is estimated to total 1,214,133 in the unadjusted ADM in FY 2011, and 1,223,597 students in FY 2012; the increased ADM adds \$17.0 million and \$22.4 million, respectively.
 - **Funded Instructional Salaries.** Reflects updated funded salary levels from 2008-10 to 2010-12 due to base year (FY 2008) prevailing salaries. Additionally, since the state budget did not budget any salary adjustments in FY 2009 or FY 2010, and since the prevailing salaries reported by localities were actually less than the funded salaries in Chapter 781, the resulting funded salaries for elementary teachers decreased from \$44,337 to \$43,904. Likewise, the resulting funded salaries for secondary teachers decreased from \$46,230 to \$46,090.
 - **Health Care Premiums.** Reflects prevailing costs associated with the health care premium increasing from \$5,188 to \$5,793. *(Please see discussion below of a policy change to update based on actual statewide prevailing participation rates.)*
 - **Base Year Expenditures.** Reflects various adjustments including base year (FY 2008) expenditure data, updating of school-level enrollment configurations, and updated data for the 29.8 percent federal revenue deduction. *(Please see discussions below of an update to the percent federal revenue deduction and the inclusion of \$0 values in the calculation of Linear Weighted Average for support costs.)*
 - **Transportation Costs.** Reflects updated base year transportation cost data. *(Please see discussion below of a policy change to extend the school bus replacement cycle.)*

- ***Textbook Per Pupil Amount.*** Reflects decreased per pupil prevailing textbook spending, as reported by localities, of \$75.55, compared with \$113.10 for 2008-10. *(Please see discussion below of lower textbook funding in FY 2011 and FY 2012.)*
- ***Inflation Factors.*** Reflects costs associated with inflation factors (un-weighted) of 0.52 percent. *(Please see discussion below of a policy change to discontinue this update.)*
- ***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. *(Please see discussion of policy changes to Lottery-funded programs below.)*
- ***Funded Fringe Benefit Rates.*** The original rebenchmarking figures reflect the following rate adjustments relative to rates funded in Chapter 781 for FY 2010: 10.49 percent for VRS, up from 8.81 percent; 1.01 percent for Retiree Health Care Credit, down from 1.04; and 0.33 percent for the employer's share of Group Life, up from 0.27 percent.

The adopted retirement contribution rates of 3.93 percent in FY 2011 and 5.16 percent in FY 2012 reflect funding the "normal" rate and the "normal" rate plus twenty percent of the unfunded actuarial liability, respectively.

- ***Composite Index.*** The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2005 to 2007, the most current available at the time. 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 revised index went up for 97 school divisions (i.e. primarily because local wealth increased more than the average change for the rest of the state, the locality is responsible for a larger percentage of SOQ costs); the composite index went down for 31 school divisions (decreasing the locality's share of SOQ costs), and the composite index was unchanged for the remainder.

- ***Projected Sales Tax Revenue (November 2009).*** The 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 decrease from \$1,135.2 million in Chapter 781 to \$1,078.8 million in FY 2011 and \$1,114.7 million in FY 2012.
- ***National Board Certification Bonuses.*** Adds \$500,000 GF each year for an annual total of \$5.0 million for payments for teachers qualifying for the National Board

Certification bonuses of \$5,000 as the initial year award and \$2,500 for each of the remaining nine years of the certification awarded. In FY 2011, 234 teachers are projected to receive the first year bonus and 1,463 teachers to receive the \$2,500 bonus. For FY 2012, 234 teachers are projected to receive first year bonuses and 1,841 teachers to receive the continuing bonus.

- ***New Governor's School at Innovation Park.*** Adds \$161,360 GF the first year and \$325,316 GF the second year for the state's share of per pupil funding for the new Governor's School at Innovation Park, a regional academic year Governor's School to serve the projected enrollment of students from Manassas Park City, Manassas City, and Prince William County.
- ***Governor's September 2009 Reductions to Supplemental Programs.*** Saves \$332,659 GF each year by reducing grants to the following supplemental programs by 15 percent each (up from 10 percent in FY 2010): Project Discovery, Jobs for Virginia Graduates, Career and Technical Education Resource Center, Great Aspirations Scholarship Program, Southwest Virginia Public Education Consortium, Van Gogh Outreach Program, Southside Virginia Technology Consortium, and Virginia Career Education Foundation. Also saves \$56,250 GF by reducing support by 15 percent for the Clinical Faculty program; \$49,409 GF each year by reducing funding by 15 percent for the Career Switcher Mentor; and \$7,125 GF by reducing support by 15 percent for the Virginia Technology Alliance.

In addition, funding for Project Discovery was reduced by \$76,500 GF each year, an additional 10 percent reduction for a total reduction of 25 percent: remaining one of the largest funded supplemental initiatives in Direct Aid.

- ***State Operated Programs.*** The adopted budget restores funding of \$1.4 million GF the first year and \$1.9 million GF the second year for costs for the state operated education program at the Commonwealth Center for Children and Adolescents in Staunton, which had been proposed to be closed in the introduced budget. Funds for educational costs previously allocated to Southwestern Virginia Mental Health Institute's Adolescent Unit in Smyth County, which will be closed, are also allocated to the facility in Staunton.

Also adds \$37,924 GF the first year and reduces funding by \$448,618 GF the second year due to continuing to roll forward the 4th quarter payments of state operated programs to the following year, as adopted for FY 2010.

- ***Eliminate Rebenchmarking Inflation Update.*** Saves \$4.7 million GF in FY 2011 and in FY 2012, by continuing the action taken for FY 2010, by eliminating the re-benchmarking update of inflation to bring base year cost data up to the beginning of the biennium.
- ***Literary Fund and the VPSA Educational Technology Grant Program.*** Increases Literary Fund revenues transferred to the general fund to offset a portion of teacher retirement costs by \$15.0 million each year. The adopted budget also

restores \$57.6 million in FY 2011 and \$57.8 million in FY 2012 to school divisions for the VPSA educational technology grant program, which had been proposed for elimination in the introduced budget. (The Literary Fund will provide the \$13.5 million in FY 2012 to pay the first year payment needed for the five year debt service notes for the new VPSA grants issued.) In addition, after including an additional \$3.6 million each year from estimated additional speeding fines, the Literary Fund revenue allocation for retirement and social security payments totals \$141.6 million in the first year and \$128.1 million in the second year.

- ***Composite Index.*** The introduced budget proposed saving a net \$29.5 million in FY 2011 by delaying the Composite Index update until FY 2012. The adopted budget restores this funding and also provides supplemental payments of \$116.5 million GF the first year and \$57.6 million GF the second year for “hold harmless” funding (100 percent the first year and 50 percent the second year) for those school divisions whose Composite Index increased from the 2008-10 biennium to the 2010-12 biennium as a result of the routine rebenchmarking process.
- ***Distribute Central Appropriations Amounts to Agency Budgets.*** Reduces funding by \$18.2 million GF each year by adjusting the agency budget to reflect amounts moved from Central Appropriations that reflect retirement benefit rate savings.
- ***School Bus Replacement.*** Reduces funding by \$9.8 million GF the first year and \$9.6 million GF the second year by extending the calculation for school bus replacement from 12 years to 15 years.
- ***Textbooks.*** Reduces funding by \$15.6 million GF the first year and \$18.5 million GF the second year, a reduction of approximately one-third of textbook funding.
- ***Federal Revenue Deduct.*** Reduces funding by \$17.0 million GF in each year to more accurately reflect current funded support costs as a percent of total SOQ costs of 38.1 percent.
- ***Technical Corrections.*** Reduces funding by \$29.3 million GF the first year and \$29.6 million GF the second year for technical corrections related to: 1) the remaining regional program expenditures from non-personal improvement and substitutes; 2) restoring the facility support positions in the non-personal support side of the SOQ model; 3) combined average daily membership when calculating the prevailing non-personal support services costs; and 4) correcting Dinwiddie school division’s calculation for the Composite Index.
- ***Linear Weighted Average.*** Reduces funding by \$39.2 million GF the first year and \$39.5 million GF the second year by including zeroes in the linear weighted average calculation for support non-personal costs.
- ***Supplant GF With Remaining Federal Stabilization Funds.*** Reduces SOQ Basic Aid funding by \$126.4 million GF the first year, which is offset by a like amount of federal stabilization funds.

- ***Lottery-Funded Programs.*** Reduces general funds by \$87.3 million the first year and \$77.5 million the second year, reflecting the following actions:
 - An increase in the Lottery forecast of \$5 million each year due to the addition of the Power Ball game, as recommended by the Lottery Board;
 - Increasing the School Breakfast reimbursement by 10 percent from 20 cents to 22 cents per breakfast, for an additional cost of \$244,297 the first year and \$289,585 the second year;
 - Capturing an additional \$7.9 million the first year and \$6.1 million the second year in non-participation savings rate of 21.7 percent (up from 14.8 percent in the budget as introduced) from the Virginia Preschool Initiative for At-Risk Four-Year-Olds based on fiscal year 2010 actual participation levels;
 - Targeting the K-3 Class Size Reduction program by limiting participation to schools with free lunch higher than 30 percent, which generates savings of \$18.5 million the first year and \$17.7 million the second year;
 - Eliminating the Enrollment Loss program for savings of \$7.6 million the first year and \$8.5 million the second year;
 - Eliminating the "Support for School Construction and Operating Costs" (\$35.1 million the first year and \$32.0 million the second year in the budget as introduced); and
 - Supplants funding for Remedial Summer School (\$25.1 million the first year and \$25.5 million the second year), English as a Second Language (\$37.3 million the first year and \$39.1 million the second year), and part of Textbook (\$24.9 million the first year and \$12.9 million the second year) with the Lottery Proceeds Fund rather than the general fund.

- ***Eliminate Certain School Expenditures from Basic Aid Calculations.*** Reduces funding by \$121.6 million GF the first year and \$122.1 million GF the second year by removing certain expenditure costs included in the SOQ Basic Aid calculations:
 - ***Other Benefits (ASR Object Code 2800).*** The ASR (Annual School Report) defines 2800 as "Includes annual and sick leave payments for personnel who terminate employment, as well as pension/retirement plans that are specific to a locality and the cost for contract buy-outs."
 - ***Certain Capital Outlay Replacement (ASR Object Code 8100).*** This expenditure object code includes capital outlay replacement other than technology and for facilities, including machinery, equipment, furniture, fixtures, communications equipment, and motor vehicles that are capitalized and cost more than \$5,000.

- *Miscellaneous (ASR Object Code 5800).*
 - *Travel (ASR Object Code 5500).*
 - *Leases/Rentals (ASR Object Code 5400) and Facilities Non-Personal Costs.* This expenditure object code includes payments for leases that are not capitalized and rental of land, structures, and equipment (does not include expenditures made under a lease-purchase agreement).
- *Fund Health Care Premiums Based on Statewide Prevailing Average Actual Participation Rates.* Reduces funding by \$134.2 million GF the first year and \$135.0 million GF the second year by calculating Basic Aid funding for health care premiums based on actual statewide division-level premiums weighted for the plan type participation. Statewide, 68.7 percent of full-time equivalent positions participate in their school divisions’ health care plan, or 66.1 percent based on the linear weighted average. The health care premium of \$3,375 funded in the introduced budget represents the statewide prevailing average of the division-level premium weighted for plan type participation (\$5,107) multiplied by the prevailing rate of overall employee participation in any employer-provided health care plan (66.1 percent).

Health Care Plan Type	Current Funding Basis	Actual Statewide Participation Rates
Employee Only	33.3%	41.2%
Employee Plus One	33.3	13.4
Family	<u>33.3</u>	<u>14.1</u>
	100.0%	68.7%

- *Tuition Revenue from Virtual Virginia.* Adds \$100,000 NGF in each year for additional tuition revenue from the Virtual Virginia program.
- *Language Changes.*
- *Temporary Flexibility on SOQ Staffing Standards.* To provide temporary flexibility, allows school divisions to increase teacher-to-pupil ratios in kindergarten through grade 7 and English classes for grades 6 through twelve by one additional student. In addition, the teacher-to-pupil staffing ratio requirements for Elementary Resource teachers, Prevention, Intervention and Remediation, English as a Second Language, Gifted and Talented, Career and Technical funded programs are waived; and the instructional and support technology positions, librarians and guidance counselors staffing ratios for new hires are waived.
 - *Carry Over Language Continued.* Allows localities to carry over into FY 2012 any remaining available state fund balances.

- ***Summer Governor's Schools.*** Provides the Department of Education authority to adjust the tuition rate, type of programs offered, the length of programs, and the number of students enrolled in the Summer Governor's Schools and Foreign Language Academies.
- ***Lottery.*** Reinstates the local required match for Lottery-funded programs and ends the local maintenance of effort requirement for the Support for School Construction and Operating Costs account funded with Lottery proceeds.
- ***Textbooks.*** Clarifies that school divisions may use textbook funding for the purchase of electronic textbooks or other technology integral to the curriculum and technology equipment required to read and access the technology. Also reinstates local matching requirements.
- ***Virginia Preschool Initiative.*** Clarifies that half day programs are a minimum of three hours and specifies that for purposes of meeting the local match at least 75 percent must be cash and no more than 25 percent may be in-kind contributions.
- ***School Nurse Expenditures.*** Requires school divisions to spend 100 percent of the allocation on school nurse expenditures rather than budget and spend as needed.
- ***State Funds Allocated in Locality Budget.*** Clarifies that all state and local matching funds required by Direct Aid programs be appropriated to the budget of the local school board.
- ***Career and Technical Education Equipment Payments.*** Clarifies that there is no local match requirement in order to receive this state funding.
- ***K-3 Primary Class Size Staffing Ratios.*** Clarifies the types of positions that are eligible to meet the staffing requirements. In addition to special education teachers, instructional aides are not permitted to be counted towards meeting the required teacher-to-pupil ratios.
- ***Elimination of Four Reports.*** As recommended by the Virginia Department of Education in its November 2009 report, removes the requirements for the following four reports: 1) Individual Student Alternative Education Plan Report; 2) Plan and Report for Programs of Prevention, Intervention, and Remediation; 3) SOL Web-Based Technology Initiative; and 4) Status of Regional Alternative Education Placements.

Appropriation Summary for the Education Assistance Programs

Standards of Quality	<u>FY 2011</u>	<u>FY 2012</u>
Basic Aid (Excluding State Fiscal Stabilization Funds)	\$2,782,127,827	\$2,911,472,497
Sales Tax	\$1,078,800,000	\$1,114,700,000
Textbooks (split funded)	\$10,659,046	\$20,067,585
Vocational Education	\$66,262,297	\$66,403,848
Gifted Education	\$31,066,860	\$31,245,002
Special Education	\$363,191,210	\$364,584,045
Prevention, Intervention, and Remediation	\$69,584,496	\$69,579,517
VRS Retirement	\$104,436,895	\$133,424,839
Social Security	\$176,302,533	\$177,130,406
<u>Group Life</u>	<u>\$6,484,029</u>	<u>\$6,515,863</u>
Subtotal SOQ (In this Item)	\$4,688,915,193	\$4,895,123,602
<u>SOQ Funded from State Fiscal Stabilization Funds, Item 133</u>	<u>\$126,372,427</u>	<u>\$0</u>
Total	\$4,815,287,620	\$4,895,123,602
Incentive Programs		
Governor's School	\$14,207,194	\$14,696,365
Clinical Faculty	\$318,750	\$318,750
Career Switcher Mentoring Grants	\$279,983	\$279,983
Special Education - Endorsement Program	\$600,000	\$600,000
Special Education - Vocational Education	\$200,089	\$200,089
<u>Composite Index Hold Harmless</u>	<u>\$116,477,529</u>	<u>\$57,599,781</u>
Total	\$132,083,545	\$73,694,968
Categorical Programs		
Adult Education	\$1,051,800	\$1,051,800
Adult Literacy	\$2,645,375	\$2,645,375
Virtual Virginia	\$2,356,908	\$2,356,908
American Indian Treaty Commitment	\$75,669	\$77,348
School Lunch	\$5,801,932	\$5,801,932
Special Education - Homebound	\$5,628,891	\$5,938,390
Special Education - Jails	\$3,698,491	\$4,065,031
<u>Special Education - State Operated Programs</u>	<u>\$34,170,169</u>	<u>\$35,993,791</u>
Total	\$55,429,235	\$57,930,575
Lottery Proceeds Programs		
Foster Care	\$12,896,417	\$13,605,123
At-Risk	\$63,801,568	\$63,651,543
Virginia Preschool Initiative	\$67,607,769	\$68,300,290
Early Reading Intervention	\$14,720,585	\$14,787,821
Mentor Teacher	\$1,000,000	\$1,000,000
K-3 Primary Class Size	\$73,229,929	\$73,817,468
School Breakfast Program	\$2,687,265	\$3,185,437
SOL Algebra Readiness	\$9,018,272	\$9,006,959
Alternative Education	\$6,729,485	\$6,845,417

Appropriation Summary for the Education Assistance Programs (cont'd)

Lottery Proceeds Programs	FY 2011	FY 2012
ISAEP	\$2,247,581	\$2,247,581
Special Education - Regional Tuition	\$75,141,153	\$82,400,653
Vocational Education - Categorical	\$10,400,829	\$10,400,829
No Child Left Behind/Education for a Lifetime	\$4,749,675	\$4,749,675
Project Graduation	\$2,774,478	\$2,774,478
Supplemental Basic Aid	\$938,311	\$912,538
Remedial Summer School	\$25,064,692	\$25,514,519
English as a Second Language	\$37,272,009	\$39,141,229
<u>Textbooks (split funded)</u>	<u>\$24,919,982</u>	<u>\$12,858,440</u>
Total	\$435,200,000	\$435,200,000
Technology - VPSA	\$57,610,000	\$57,792,000

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

- ***Governor's September 2009 Budget Reductions.*** With the exception of the capture of balances, continues proposed reductions for savings of \$1.8 million GF.
- ***Distribute Central Appropriations Amounts to Agency Budgets.*** Reduces funding by \$411,037 GF each year by adjusting the agency budget to reflect amounts moved from Central Appropriations that reflect retirement benefit rate savings.
- ***Project Graduation.*** Eliminates funding of \$188,302 GF each year for Project Graduation budgeted in DOE. There remains \$2.8 million each year for Project Discovery budgeted in Direct Aid.
- ***Nonpersonnel Operating Costs, Real Estate Fees, Payroll Services Bureau.*** Reduces funding by \$50,000 GF each year for nonpersonnel operating costs; \$1,505 GF each year for payroll services bureau costs; and adds \$4,281 GF each year to distribute amounts for real estate fees from DGS.
- ***Charge School Divisions for Non-AP Virtual Virginia.*** Reduces funding by \$18,750 GF each year by charging school divisions tuition for non-AP courses.
- ***Indirect Cost Recovery.*** Adds \$200,000 NGF each year for additional indirect cost recovery revenue.
- ***Report on Services for Children with Autism Spectrum Disorders.*** Directs DOE to evaluate options for enhancing the early intervention system and improving services for school-age children with autism spectrum disorders.
- ***Education Technology Report.*** Eliminates duplicative requirement for school divisions to report technology expenditures in the Annual School Report.

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

- ***Governor's September 2009 Budget Reductions.*** With the exception of the capture of balances, continues proposed reductions for savings of \$499,977 GF.
- ***Payroll Service Bureau Costs.*** Adds \$31,240 GF each year for costs associated with mandated entry into the Department of Accounts' Payroll Service Bureau.
- ***Distribute Central Appropriations Amounts to Agency Budgets.*** Reduces funding by \$186,486 GF each year by adjusting the agency budget to reflect amounts moved from Central Appropriations that reflect retirement benefit rate savings.
- ***Reduce Utility Costs, Travel, and Supply and Equipment Purchases.*** Reduces funding by \$195,000 GF each year by reducing utility costs with energy efficient practices, reducing travel, decreasing supply and equipment purchases, and eliminating personal communication devices.
- ***Reduce Overtime and Hourly Pay.*** Reduces funding by \$125,000 GF each year by reducing the amount of overtime pay allowable for all departments and by reducing pay for hourly employees.
- ***Capture Energy Savings from Demolished Buildings.*** Captures \$94,977 GF each year in energy savings associated with the demolition of Harrison Hall, Price Hall, and the maintenance building.
- ***Reduce Special Funds.*** Reduces funding by \$480,563 NGF each year. Local school division payments are now deposited into the General Fund.
- ***Increase Reimbursement Claims for Medical Services.*** Replaces \$75,000 GF each year with reimbursement claims for medical services including skilled nursing, psychological, and audiology services.
- ***Supplant GF with Foundation Funding.*** Replaces \$25,000 GF each year with nongeneral fund foundation funding.
- ***Sale of the Former Virginia School for the Deaf, Blind and Multi-disabled Campus.*** The adopted budget includes language in Part 3 for the sale of a portion of the acreage of the former Virginia School for the Deaf, Blind, and Multi-disabled campus located in Hampton. The proceeds of the sale, estimated to be \$2.5 million, will be deposited into the General Fund.