

Public Education

Amendments, as adopted, for Direct Aid to Public Education result in a net reduction of \$26.0 million GF in FY 2011 and an increase of \$48.7 million GF in FY 2012 as compared to Chapter 874 of the 2010 Acts of Assembly. (Note: The amendments do not reflect the additional \$249.5 million in one-time funds that Virginia school divisions received from the federal Education Jobs Fund which were appropriated administratively and are available for their use in FY 2011 or FY 2012.)

The introduced budget proposed eliminating \$57.6 million GF in FY 2012 for the one-time 50 percent Hold Harmless funding for the 97 school divisions whose Composite Index increased from last biennium and reprogramming \$53.2 million to pay for the state's share of a 2 percent VRS rate increase and \$3.0 million GF to support a new pilot initiative for performance pay for teachers in hard-to-staff schools. The adopted budget instead provides 1) \$87.7 million GF as a one-time allocation to all school divisions based on the state's share of \$130 per pupil and \$16.6 million for the remaining amounts needed to "make whole" the localities affected by the Hold Harmless payments, 2) \$31.0 million GF for the state's share of a VRS employer contribution rate of 6.33 percent in FY 2012, and 3) \$3.0 million GF for the performance pay pilots.

Other actions include a net \$40.5 million GF increase due to revised sales tax projections; a \$3.4 million GF increase to offset the federal stimulus funds shifted to Higher Education; a \$43.2 million GF savings due to lower enrollment growth than anticipated; and a \$35.0 million decrease in Lottery-funded programs due to lower participation rates. These freed up Lottery dollars are used for other educational program costs that were funded with general funds, resulting in a general fund reduction of \$35.0 million. The amendments also reflect a technical adjustment of \$8.4 million in the first year Composite Index Hold Harmless account. This downward adjustment reflects an update to the calculation that was not made by DOE when the budget was adopted during the 2010 session, along with adjustments that reflect updates in actual ADM and sales tax revenues for FY 2011.

In the Office of the Secretary of Education, the introduced budget proposed reducing state funding for public broadcasting by a total of \$2.1 million GF in FY 2012, a 50 percent reduction, with the intention of phasing out state support completely during the next biennium. The adopted budget, after reflecting the Governor's May 2, 2011 veto reduction of \$424,001, instead results in a total appropriation of \$3.2 million under the Secretary of Education, down from \$4.1 million total in Chapter 872 of the 2010 Acts of Assembly. The adopted budget also adds \$600,000 GF in FY 2012 for institutions of higher education to plan for the development of "College Partnership Laboratory Schools."

In the Department of Education (Central Office), actions result in a net reduction of \$1.1 million GF and a net decrease of 2.5 positions.

**Summary of Adopted Amendments for
Direct Aid to Public Education: FY 2010-12**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
Supplemental Support for School Operating Costs @\$129.62 PPA	-	\$87.7	\$87.7
Remaining Composite Index Hold Harmless	-	16.6	16.6
1.17 Percent VRS Rate Increase	-	31.0	31.0
Update Sales Tax Revenue Projections	19.5	21.0	40.5
Offset Federal ARRA Funds Transferred to Higher Education	3.4	-	3.4
Create Performance Pay Pilot in Hard-to-Staff Schools	-	3.0	3.0
Increase Governor's School Funding Cap	-	0.1	0.1
Update Literary Fund Forecast	2.0	(2.0)	-
Reduce Project Discovery by 10%	-	(0.1)	(0.1)
Update National Board Certification for Actual Participation Rates	(0.3)	-	(0.3)
Reduce Textbook Funding	-	(5.9)	(5.9)
Update Incentive and Categorical Programs	(5.2)	(3.8)	(9.0)
Update First Year Composite Index Hold Harmless	(8.4)	-	(8.4)
Transfer GF Programs to Lottery & Update Lottery Programs	(19.8)	(15.2)	(35.0)
Update SOQ Programs for Revised ADM Projections	(17.3)	(26.0)	(43.2)
Reverse Composite Index Hold Harmless (see above)	-	<u>(57.6)</u>	<u>(57.6)</u>
TOTAL	(26.0)	\$48.7	\$22.7

- **Direct Aid to Public Education**

- *Specific Distribution 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. (Note: school division distribution totals do not reflect total funding for public education.)*
- *Composite Index Hold Harmless/Supplemental Support for School Operating Costs.* Chapter 874 had included \$116.5 million GF in FY 2011 and \$57.6 million GF in FY 2012 for Hold Harmless supplemental grants of 100 percent and 50 percent, respectively, for the 97 school divisions whose composite index had increased from the 2008-10 biennium to the 2010-12 biennium as a result of the normal biennial re-benchmarking process. The adopted amendments reduce funding by \$8.4 million GF in FY 2011 by updating the calculation to reflect the final actions included in the adopted 2010-2012 budget along with the adjustments that were proposed in the Governor's amendments to Chapter 874.

The introduced budget had proposed reprogramming the \$57.6 million GF in FY 2012 from the Hold Harmless funding account to support the state's share of the 2

percent increase, equaling \$53.2 million, in the employer contribution rate for retirement and \$3.0 million for the teacher performance pay pilot initiative.

The adopted budget instead provides \$87.7 million GF in FY 2012 as a one-time allocation to all school divisions based on the state's share of \$129.62 per pupil and \$16.6 million for the remaining amounts needed to "make whole" the localities affected by the Hold Harmless payments contained in Chapter 874, as adjusted for final 2010 actions and for the revised projected enrollment estimates as contained in the introduced budget.

In addition, the adopted budget provides \$31.0 million GF for the state's share of an increase in the VRS employer contribution rate and \$3.0 million GF in FY 2012 for the performance pay pilots, as discussed below.

- ***Increase in Employer Retirement Contribution.*** Adds \$31.0 million GF in FY 2012 for the state's share of the cost of increasing the retirement system employer contribution rate by 1.17 percent, to 6.33 percent in FY 2012, up from 5.16 percent in FY 2012 (Chapter 874 employer rates of 3.93 percent in FY 2011 and 5.16 percent in FY 2012 reflected funding the "normal" rate and the "normal" rate plus 20 percent of the unfunded actuarial liability, respectively).
- ***Member Retirement Contribution.*** The Governor's introduced budget proposed language (in Central Appropriations) requiring new local employees (hired on or after July 1, 2011) to pay the 5 percent employee contribution, with no option for the school divisions to pay any portion of the contribution rate and allowing school boards to require their current employees (hired prior to July 1, 2010) to pay the 5 percent employee contribution only if the employee's base salary is increased by at least 3 percent at the same time.

The adopted budget instead maintains current law, that is school divisions cannot re-impose the 5 percent contribution requirement back to those teachers who were hired prior to July 1, 2010, if the school system opted to pay the employee 5 percent contribution for them. For teachers hired on or after July 1, 2010, the Code requires such employees to pay the 5 percent employee contribution, but also allows school boards the option of paying either a portion of or all of the 5 percent for this group of employees.

- ***Update Projected Sales Tax Revenue Forecast.*** Adds a net \$19.5 million GF in FY 2011 and \$21.0 million GF in FY 2012 due to the increase in projected sales tax revenues from the 1 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. The revenue projections increased from \$1,078.8 million to \$1,123.1 million in FY 2011 and from \$1,114.7 million to \$1,162.3 million in FY 2012. The increase in sales tax revenue estimates generated \$24.8 million in savings in FY 2011 and \$26.6 million in savings in FY 2012 in SOQ Basic Aid payments and also reduces the school divisions' required local effort by an estimated \$20.3 million in FY 2011 and \$21.8 million in FY 2012.

- ***Replace Federal ARRA Funds Shifted to Higher Education.*** Adds \$3.4 million GF in FY 2011 to offset an equal reduction in federal State Fiscal Stabilization Funds from \$126.4 million to \$122.9 million due to required technical revisions to the split calculation based on federal guidelines and the final actions adopted in Chapter 874. The \$3.4 million is transferred to the ARRA account dedicated for higher education.
- ***New Teacher Performance Pay Initiative.*** Adds \$3.0 million GF in new funding for FY 2012 for competitive grants for school divisions to pilot models for awarding performance pay for instructional personnel in hard-to-staff schools, with the expectations of improving Virginia’s position for additional federal funding and providing a more competitive pay structure for teachers. The Department of Education will establish guidelines and award funds on a competitive grant basis to school divisions that apply by June 15, 2011. A significant component of the performance evaluation must include measurable and appropriate achievement goals for student progress, including the state-provided growth measure when available.
- ***Literary Fund.*** Adds \$2.0 million GF and reduces NGF by \$2.0 million in FY 2011, and decreases \$2.0 million GF and adds \$2.0 million NGF in FY 2012 for SOQ retirement costs, reflecting the Treasury Department’s current forecast for the Literary Fund.
- ***Governor’s School Funding Cap.*** Adds \$66,265 in FY 2012 to increase by 50 slots to 1,650 students the tuition funding cap on the academic-year Governor’s Schools which currently only applies to the Thomas Jefferson High School for Science and Technology in Fairfax County.
- ***SOQ Programs’ Technical Updates for Revised Enrollment Projections.*** Reduces funding by \$17.3 million GF in FY 2011 and \$26.0 million GF in FY 2012, reflecting updated estimates of student enrollment projections based on actual March 31, 2010 Average Daily Membership (ADM) and September 30, 2010 Fall Membership student totals. The statewide unadjusted ADM totals are estimated to be 1,209,762 in FY 2011 (4,370 students lower than the projections reflected in Chapter 874), and 1,216,938 in FY 2012 (6,659 students lower than the projections reflected in Chapter 874).

The updated enrollment impacts funding for the following SOQ accounts: SOQ Basic Aid, Textbooks, Vocational Education, Gifted Education, Special Education, Prevention, Intervention and Remediation, VRS Retirement, Social Security and Group Life.

- ***Categorical Programs’ Technical Updates.*** Reduces funding by \$4.8 million GF in FY 2011 and \$3.8 million GF in FY 2012 based on actual participation levels. Special Education State Operated Program is reduced by \$4.2 million in FY 2011 and \$3.2 million in FY 2012; Special Education Homebound is reduced by

\$600,300 in FY 2011 and by \$626,600 in FY 2012; and the American Indian Treaty Commitment is reduced by \$13,657 in FY 2011 and by \$11,212 in FY 2012.

- ***Textbooks.*** Reduces textbook funding by \$5.9 million GF in FY 2012, reflecting a reduction in the per pupil amount from \$48.38 to \$40.56.
- ***Incentive Programs' Technical Updates.*** Reduces funding for Governor's Schools by \$453,605 GF in FY 2011 and \$50,716 GF in FY 2012 due to enrollment updates, and updates the VSPA technology grants for schools reporting fall membership in the first year.
- ***National Board Certification (NBC) Teacher Bonuses.*** Reduces funding by \$292,500 GF in FY 2011 to reflect the actual numbers of teachers eligible for national board certification award payments of either \$5,000 for the initial year's award or \$2,500 for each of the remaining nine years of certification. Funding for the NBC bonuses equals \$4.7 million in FY 2011 and \$5.0 million in FY 2012.
- ***Policy Change to Correct the October 1, 2008 Free Lunch Percentage for Petersburg.*** Reduces net funding statewide by \$64,815 GF in FY 2011 and \$63,572 GF in FY 2012 to correct the free percentages as submitted by Petersburg Schools. As a result, Petersburg's funding is increased by \$357,234 in FY 2011 and \$535,195 in FY 2012.
- ***Project Discovery.*** Reduces funding by \$68,850 in FY 2012, for a reduction of 10 percent.
- ***Lottery-Funded Programs.*** Uses \$19.8 million in FY 2011 and \$15.2 million in FY 2012 in Lottery Proceeds -- which resulted from technical adjustments and lower participation rates for the following programs: Virginia Preschool Initiative, English as a Second Language, Special Education – Regional Tuition, Alternative Education, Supplemental Basic Aid, At-Risk Add-on, SOL Algebra Readiness, Textbooks, Remedial Summer School, K-3 Primary Class Size Reduction, Early Reading Intervention, School Breakfast, and Foster Care -- to supplant general fund support for other programs.

The assumed non-participation rate for the Virginia Preschool Initiative (VPI) in FY 2012 has been increased to 25.4 percent from 21.7 percent. This adjustment affects the appropriation for the program but does not change the division-level entitlement amounts. Also, the VPI calculations for Richmond City and Richmond County have been adjusted to reflect the corrected number of students served by the federal Head Start program in each locality. New language clarifies that VPI funding may not be used for capital outlay.

The freed-up Lottery Proceeds are used to supplant \$19.8 million GF in FY 2011 from the Composite Index Hold Harmless account, \$13.2 million GF in FY 2012 from textbooks, and \$2.0 million from the Second Year Composite Index Hold Harmless account.

Two final actions include:

- An increase in the estimated Lottery Proceeds revenue of \$675,000 NGF in FY 2012, and;
 - New language which directs the Department of Education to prorate textbook funding in the event of a Lottery Proceeds revenue shortfall.
- ***Re-appropriation and Carry Forward Authority.*** Language 1) clarifies that local governments must re-appropriate any FY 2011 qualifying state funds carried forward into FY 2012 solely for school division purposes and 2) extends the carry forward authority to FY 2012 into FY 2013.

Appropriation Summary for the Education Assistance Programs

(\$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Standards of Quality Programs		
Basic Aid (excluding State Fiscal Stabilization Funds)	\$2,746.7	\$2,868.0
Sales Tax	1,123.1	1,162.3
Textbooks (split funded)	10.6	0.5
Vocational Education	66.0	66.0
Gifted Education	30.9	31.1
Special Education	361.7	362.6
Prevention, Intervention, and Remediation	69.5	69.4
VRS Retirement	104.0	159.9
Social Security	175.6	176.1
Group Life	<u>6.5</u>	<u>6.5</u>
Subtotal SOQ (in this Item)	\$4,694.7	\$4,902.1
SOQ Funded from State Fiscal Stabilization Funds, Item 133	<u>\$122.9</u>	<u>-</u>
Total	\$4,817.6	\$4,902.1
Incentive Programs		
Governor's School	\$13.8	\$14.7
Clinical Faculty	0.3	0.3
Career Switcher Mentoring Grants	0.3	0.3
Special Education - Endorsement Program	0.6	0.6
Special Education - Vocational Education	0.2	0.2
Composite Index Hold Harmless Supplement (split funded)	88.3	14.6
Performance Pay Initiative	-	3.0
Supplemental Support for School Operating Costs	<u>-</u>	<u>87.7</u>
Total	\$103.5	\$121.4
Categorical Programs		
Adult Education	\$1.1	\$1.1
Adult Literacy	2.6	2.6
Virtual Virginia	2.4	2.4
American Indian Treaty Commitment	0.1	0.1
School Lunch	5.8	5.8
Special Education – Homebound	5.0	5.3
Special Education – Jails	3.7	4.1
Special Education - State Operated Programs	<u>\$30.0</u>	<u>32.8</u>
Total	\$50.6	\$54.1

Appropriation Summary for the Education Assistance Programs

(\$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Lottery Proceeds Programs		
Foster Care	\$10.4	\$11.3
At-Risk Add-on	64.0	64.0
Virginia Preschool Initiative	60.5	65.1
Early Reading Intervention	13.4	13.4
Mentor Teacher	1.0	1.0
K-3 Primary Class Size	72.7	74.8
School Breakfast Program	2.5	2.9
SOL Algebra Readiness	9.1	9.1
Alternative Education	6.7	7.0
ISAEF	2.2	2.2
Special Education - Regional Tuition	71.0	76.0
Career and Technical Education – Categorical	10.4	10.4
No Child Left Behind/ Education for a Lifetime	4.7	4.7
Project Graduation	2.8	2.8
Supplemental Basic Aid	0.9	0.9
Remedial Summer School	20.8	21.5
English as a Second Language	37.5	40.0
Textbooks (split funded)	24.8	26.9
Composite Index Hold Harmless Supplement (split funded)	<u>19.8</u>	<u>2.0</u>
Total	\$435.2	\$435.9
Technology – VPSA	\$57.0	\$57.2

- **Secretary of Education**

- ***Planning Grants for College Lab Schools.*** Adds \$600,000 GF of new funding in FY 2012 for institutions of higher education, as selected by the Secretary of Education, to plan for the development and support of “College Partnership Laboratory Schools” as defined in Chapter 871 of the 2010 Acts of Assembly.
- ***Public Broadcasting – Community Service Grants for Public Television.*** The General Assembly reduced the allocation contained in Chapter 874 to community service grants for public television by \$957,871, or 66 percent, for an amended total of \$486,320 in FY 2012.
- ***Public Broadcasting – Educational Telecommunications.*** The General Assembly provided an increase in funding in FY 2012 to Educational Telecommunications by \$544,164, or 25.9 percent, for a revised total of \$2.6 million. Lastly, legislative action

transferred \$120,163 for the Radio Reading Services to the Department for the Blind and Vision Impaired in FY 2012.

On May 2, 2011, the Governor vetoed the General Assembly action that increased funding for Educational Telecommunications and consequently changes the allocation back to the \$2.1 million which is original funding level approved in Chapter 874. The Governor's action also restored the \$120,163 for the Radio Reading program. This second action unintentionally creates a double payment allocation for Radio Reading Services. However, the Department of Planning and Budget has indicated that it plans to unallot the Radio Reading Services amount in Public Broadcasting and will submit an amendment for the 2012 session to eliminate the duplication.

- ***Cooperative Extension.*** New language directs the Secretary of Education to evaluate the organizational structure of Virginia Cooperative Extension along with its operations with the Agricultural Experiment Station and report the findings to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2011.

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

- ***VSDB Hampton Closing Costs.*** Adds \$125,000 GF in FY 2011 for costs associated with the disposition of the campus, such as utilities, emergency repairs, surplus or disposal of materials, and unemployment costs for laid-off staff.
- ***Career Pathways Initiative.*** Adds \$100,000 GF in FY 2012 to help students become aware of vocational or technical programs that would help meet local or regional workforce needs.
- ***Supplant General Funds with Federal Funds.*** Reduces funding by \$200,000 GF in FY 2011 and \$256,442 GF in FY 2012 by using federal IDEA and Title I funds to support a portion of the annual costs for the Phonological Awareness Literacy Screening (PALS) and the Algebra Readiness Diagnostic Test; reduces \$199,956 GF in FY 2011 and \$303,177 GF in FY 2012 by using federal assessment and career and technical funds for two classified positions in FY 2011 and an additional one in FY 2012; and reduces \$30,000 GF in FY 2012 to support videoconferencing expenses related to federal programs.
- ***Adjust Federal Funds Appropriation.*** Reduces the appropriation of federal funds by \$21.0 million each year due to recent modifications to certain grant reimbursement accounting procedures and the termination of several federal grant awards.
- ***Eliminates a Net of 2.5 Vacant Positions.*** Transfers 2.0 classified positions from general fund support to a non-general fund source in FY 2011. Also, reduces funding by \$248,438 GF in FY 2012 by eliminating funds for 2.5 vacant positions and transferring 3.0 classified positions from general fund support to non-general fund sources.

- ***Other Reductions.*** Reduces funding by \$25,000 GF in FY 2012 for copier costs; \$20,000 GF in FY 2012 by replacing periodic on-site reviews of the local Virginia Preschool Initiative programs with desk reviews; \$20,000 GF in FY 2012 in non-personnel administrative support for career and technical education programs; and \$8,000 GF in FY 2012 for monthly meeting expenses for the eight regional local superintendents planning groups.
- ***School Efficiency Reviews.*** Increases the required cost to school divisions for their share of the optional school efficiency reviews from 25 percent to 37.5 percent in FY 2012.
- ***Sale of Educational Resources.*** New language authorizes the Department to collect proceeds from the sale of educational resources it has developed and to deposit such proceeds into a newly established non-reverting special fund in FY 2012.

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

- ***Maintenance for New and Renovated Buildings.*** Adds \$50,000 GF in FY 2011 and \$55,000 GF in FY 2012 for maintenance and utility costs associated with new and renovated buildings.
- ***Capital.*** Adds \$865,000 in bond proceeds in FY 2012 for equipment for the new educational building and dormitories.