

## Public Education

<b>Proposed Adjustments to Direct Aid as Introduced</b>				
(\$ in millions)				
	<b>FY 2015 Proposed</b>		<b>FY 2016 Proposed</b>	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2014-16 Base Budget, Ch. 806*	\$5,342.5	\$1,472.4	\$5,342.5	\$1,472.4
Proposed increases	418.1	(28.1)	455.4	(24.7)
Proposed decreases	<u>(190.7)</u>	<u>38.0</u>	<u>(182.5)</u>	<u>38.0</u>
\$ Net Change	227.4	9.9	273.0	13.3
<b>HB/SB 30, as Introduced</b>	<b>\$5,569.8</b>	<b>\$1,482.2</b>	<b>\$5,615.4</b>	<b>\$1,485.6</b>
% Change, Over Prior Year	4.3%	0.7%	0.8%	0.2%
<p><i>*Note: The general fund base budget reflects the \$55.0 million in one-time funding for Additional Assistance with Preschool, Inflation, and Retirement, which is included in the proposed decreases.</i></p>				

- **Direct Aid to Public Education**

- *Listings, by locality, of the estimated funding for FY 2015 and FY 2016 Direct Aid to Public Education is included as Appendix A and B, respectively.*

## Summary of Proposed Actions for Direct Aid to Education

(GF \$ in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
<u>Rebenchmarking Updates:</u>			
Retirement Contribution Rates*	\$84.2	\$84.5	\$168.7
Federal Revenue Deduct	52.0	52.0	103.9
Base Year Expenses for Non-personal Support & Textbooks	39.4	39.8	79.2
Inflation Factors for Non-personal Support Costs	37.7	37.9	75.6
Lottery-Funded Programs	32.9	39.7	72.6
Health Care Premium	26.7	26.7	53.4
Reset PreK Non-participation Estimate to 0%	23.4	23.4	46.8
Student Transportation	18.2	18.8	37.0
Composite Index	18.3	18.5	36.8
SOL Failure Rates and Free Lunch	17.8	18.0	35.7
Other Student Membership Enrollments	5.6	26.5	32.1
Sales Tax Forecast & Basic Aid Offset	6.1	25.6	31.7
Incentive and Categorical Programs	(0.6)	(0.2)	(0.8)
Funded Salaries and Positions	(0.7)	(0.7)	(1.5)
Lottery Forecast to \$500M & Offset GF	(38.0)	(38.0)	(76.0)
Remove FY 2014 One-Time Funding	<u>(55.6)</u>	<u>(55.6)</u>	<u>(111.3)</u>
<b>Subtotal for All Rebenchmarking Updates</b>	<b>\$267.3</b>	<b>\$316.8</b>	<b>\$584.1</b>
<u>Policy Changes:</u>			
Backfill Literary Fund Revenue	\$18.1	\$14.7	\$32.9
Resume Literary Fund Loans for School Construction	10.0	10.0	20.0
Instructional Specialists in Schools Not Accredited	1.8	1.8	3.6
Update National Board Certification Eligibility	0.6	0.6	1.2
Combine Year Round Schools and Other Alternatives	0.6	0.6	1.2
New Teach for America Grants	0.5	0.5	1.0
Expand Communities in Schools to Petersburg	0.3	0.3	0.5
Expand Positive Behavioral Intervention Supports	0.3	0.3	0.5
Expand PlugGEDInVA	0.2	0.2	0.5
Expand GReat Aspirations Scholarship Program	0.2	0.2	0.4
Eliminate Support Cost of Competing Adjustment	(10.2)	(10.5)	(20.7)
Estimate Non-participation Savings for PreK @25.4%	(24.2)	(24.3)	(48.5)
Eliminate Inflation Update for FY 2012 Spending Levels	<u>(38.1)</u>	<u>(38.3)</u>	<u>(76.4)</u>
<b>Subtotal for Policy Changes</b>	<b><u>(\$39.9)</u></b>	<b><u>(\$43.9)</u></b>	<b><u>(\$83.8)</u></b>
<b>Total</b>	<b>\$227.4</b>	<b>\$272.9</b>	<b>\$500.3</b>

\*Includes VRS, Group Life, and Retiree Health Care Credit Rates.

- ***State's Share of Biennial Rebenchmarking.*** Preliminary rebenchmarking calculations by the Department of Education as of September 2013, were \$165.5 million GF in FY 2015 and \$185.2 million GF in FY 2016, which totaled \$350.6 million for the biennium.

The Governor's introduced budget for FY 2014-16 included updating the remaining rebenchmarking data steps, which added an additional net \$233.5 million GF over the two years, along with a number of proposed policy changes, which decreased total funding by a net \$83.8 million GF for the same period.

- ***Projected Enrollments.*** Reflects student enrollment projections estimated to total 1,238,271 in the unadjusted ADM in FY 2015, and 1,246,428 students in FY 2014, up from 1,228,510 for FY 2014 in Chapter 806 of the 2013 Acts of Assembly.
- ***Funded Instructional Salaries.*** Reflects updated funded salary levels from 2012-14 to 2014-16 due to base year (FY 2012) prevailing salaries adjustments and reflects the state's two percent salary incentive for FY 2014.
- ***Health Care Premiums.*** Reflects prevailing costs associated with the health care premium rate of \$4,340 per funded position, up from \$3,778 per position per the FY 2014 base. (A separate proposed action eliminating the inflation update would bring the amount down to \$4,188.)
- ***Base Year Expenditures.*** Reflects various adjustments including base year (FY 2012) expenditure data; updating of school-level enrollment configurations; and updated data for the federal revenue deduction.
- ***Transportation Costs.*** Reflects updated base year transportation cost data.
- ***Textbook Per Pupil Amount.*** Reflects per pupil prevailing textbook costs, reported by localities, of \$99.42, compared with the funded amount of \$89.73 for FY 2014 in Chapter 806 of the 2013 Acts of Assembly. (A separate proposed action eliminating the inflation update would bring the amount down to \$96.22.)
- ***Incentive, Categorical, and Lottery Accounts.*** Reflects various adjustments to incentive, categorical, and Lottery-funded accounts that are linked to SOQ funding factors, such as ADM enrollment or Basic Aid per pupil cost and student program participation totals.

In addition, reflects a projected increase in Lottery Proceeds of \$38.0 million NGF in FY 2015 and \$38.0 million NGF in FY 2016 for total proceeds of \$500.0 million NGF each year.

Also captures savings of \$24.2 million NGF in FY 2015 and \$24.3 million NGF in FY 2016 in the Virginia Preschool Initiative based on a non-participation rate of 25.4 percent, the rate included in Chapter 806 for FY 2014.

- **Removal of FY 2014 One-time Spending.** Reflects a total reduction of \$55.0 million GF each year from the FY 2014 base budget contained in Chapter 806. The language in Chapter 806 stipulated that \$55.0 million each year was provided to assist school divisions with any costs associated with inflation, retirement contribution rates, or any one-time costs associated with Virginia Preschool Initiative Programs.
- **Funded VRS Fringe Benefit Rates.** Adds \$84.2 million GF the first year and \$84.5 million GF the second year for the state’s share of the cost from increasing the following rates above the funded rates contained in Chapter 806: 1) Professional “teacher” rate to 14.50 percent for the employer contribution, up from 11.66 percent; and 2) Non-professional rate to 9.40 percent, down from 10.23 percent. Further, the proposed rate for Retiree Health Care Credit increases from 1.11 percent to 1.18 percent and the rate for the employer’s share of Group Life increases from 0.48 percent to 0.53 percent.

The retirement rate of 14.50 percent reflects the six-year phase-in to full VRS Board approved rates as required in Chapter 823 of the 2012 Acts of Assembly, reform legislation and is shown in the table below. The rate also includes 1.38 percent for the payback over ten years due to the decision of the 2010 General Assembly to defer the portion of the contribution rate attributable to the unfunded liability rate. The 10-year repayment schedule will be completed in FY 2022.

	<u>FY13-14</u>	<u>FY15-16</u>	<u>FY17-18</u>	<u>FY19-20</u>
Teacher Phase-in Rate	69.53%	79.69%	89.94%	100.00%

- **Local Composite Index (LCI).** The elements used to calculate each school division’s composite index of local ability-to-pay are updated from 2009 to 2011, which is the most current available at the time the LCI updates are calculated. 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 52 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs), and down for 74 school divisions (decreasing the locality's share of SOQ costs). The composite index was unchanged for the remaining eight divisions that are still capped at 0.8000.

- ***Projected Sales Tax Revenue.*** 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 increase from \$1,257.5 million GF in Chapter 806 to \$1,268.1 million GF in FY 2015 and \$1,312.5 million in FY 2016.

– ***Proposed Policy Changes and Program / Initiative Changes***

- ***National Board Certification.*** Adds \$575,000 GF each year, for a total of \$5.9 million GF each year, to address growth in the number of teachers who receive bonus awards upon achieving National Board Certification to 260 teachers receiving an initial bonus and 1,834 teachers receiving a continuing bonus in FY 2015, and providing level funding in FY 2016. Eligible teachers receive a \$5,000 bonus the first year and \$2,500 for each of the remaining nine years of the ten year certificate.
- ***Eliminate Non-personal Inflation Update.*** Proposes saving \$38.1 million GF the first year and \$38.3 million GF the second year by eliminating the update of the FY 2012 base year non-personal costs up to the beginning of FY 2015. The FY 2012-14 final rebenchmarking total costs also excluded the inflation adjustments.
- ***Eliminate Support Cost of Competing.*** Proposes savings of \$10.2 million GF the first year and \$10.5 million GF the second year by eliminating the remaining cost of competing adjustment for SOQ funded support position costs for the school divisions in Planning District Eight and certain adjacent divisions as specified in the appropriation act. The FY 2014 budget included a 6.98% adjustment to help offset the additional costs. No change is proposed to the cost of competing adjustment for instructional positions which is budgeted at 9.83 percent.
- ***Literary Fund Support for School Employee Retirement Contributions.*** Adds \$10.0 million GF each year to backfill Literary Fund revenues that

previously had been used to pay for teacher retirement costs and the freed-up Literary revenues will be programmed for direct loans for school construction to eligible school divisions. Issuing new construction loans will help address the concerns from the Department of Treasury regarding the required asset value of the Literary Fund that is prescribed by the Constitution.

Also, adds an additional \$18.1 million GF the first year and \$14.7 million GF the second year to backfill available revenue resources paid from the Literary Fund for teacher retirement costs due the decline in the level of loan repayments, a decrease in the reserve amount, and debt service for the school security grants.

The proposed budget includes a total of \$107.9 million in the first year and \$111.2 million in the second year for transfers from the Literary Fund to support the state's share of cost for teacher retirement payments.

<b>Proposed Revisions to Literary Fund Sources and Uses</b>			
(\$ in millions)			
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>Revenue Sources:</u>			
Fines, Fees and Forfeitures	\$70.1	\$70.5	\$70.7
Interest Less Fees	0.7	0.7	0.7
Unclaimed Property	75.0	74.0	74.0
Interest on UCP	0.8	0.8	0.8
Unclaimed Lottery Prizes	11.4	11.6	11.7
Loan Payments to the Literary Fund and Interest	25.9	26.0	25.3
VPSA Reserve	<u>4.8</u>	<u>0.5</u>	<u>0.5</u>
<b>Total</b>	<b>\$188.8</b>	<b>\$184.1</b>	<b>\$183.7</b>
<u>Expenditure Allocations:</u>			
Teacher Retirement/Social Security	\$133.5	\$107.9	\$111.2
Technology Equipment & "Backpack" Debt Service	60.1	60.9	62.5
School Security Grants Debt Service	1.3	2.5	3.7
Interest Rate Subsidy	2.1	0.0	0.0
School Construction Loans	<u>0.0</u>	<u>10.0</u>	<u>10.0</u>
<b>Total</b>	<b>\$197.0</b>	<b>\$181.3</b>	<b>\$187.4</b>
<b>Ending Balance</b>	<b>\$2.1</b>	<b>\$4.7</b>	<b>\$1.0</b>

- ***Instructional Specialists.*** Proposes adding \$1.8 million GF each year for the state's share of a reading or math specialist for underperforming schools that have been denied accreditation or have been accredited with warning for three consecutive years, plus the Department of Education must identify up to 20 additional schools for funding accredited with warning for two years that have shown little or no improvement in student achievement in the past year.
- ***Teach For America.*** Proposes adding \$500,000 GF each year for grants to help offset the \$5,000 per teacher hiring fee charged to school divisions that have signed contracts with Teach For America. Language also authorizes the Opportunity Educational Institution to evaluate each application and subsequently provide the Department of Education with the final grant allocations awarded to school divisions.
- ***Expand Communities in Schools (CIS) to Petersburg.*** Proposes adding \$269,400 GF each year to establish a Communities in Schools affiliate in the Petersburg school division. This will increase the total funding for the CIS to \$794,400 GF each year.
- ***Positive Behavioral Intervention Supports.*** Proposes adding \$256,960 GF each year to expand the number of schools participating in training in reducing disruptive behavior in the classroom. This brings the total under Direct Aid to \$598,000 GF per year. There is also a companion budget allocation in the Department of Education for \$402,000 GF each year for training, technical assistance and on-site coaching of teachers and administrators on the implementation of the program. (Previously, this initiative was referred to as the Effective School-wide Discipline System).
- ***Expand PlugGED In VA.*** Proposes \$235,125 GF each year to expand PlugGED In VA for 20 additional grants to increase adult education opportunities. The PlugGED In GED course curriculum is designed to incorporate technical training as a means to develop both hard skills, such as the specialized technology knowledge reflected in either Microsoft or Career Readiness certifications, and soft skills, such as communication, workplace ethics, collaboration, and innovation.
- ***Increase Grant for GReat Aspirations Scholarship Program (GRASP).*** Proposes adding \$187,500 GF each year, for a total of \$400,000 GF each year, for GRASP to provide students and families in need of access to financial aid, scholarships, and counseling.

- ***Consolidate Grants for Year Round School and Other Alternative Approaches.*** Transfers \$200,812 GF previously budgeted under the Central Office for alternative instructional delivery or governance models to existing Direct Aid funding of \$413,312 GF for year round schooling. New language indicates the combined funding is for planning or start-up grants for extended learning time models, preschool; or for assistance to establish charter, college laboratory, or virtual schools, or other alternative instructional delivery or school governance models. Applicants can request up to \$25,000 for a planning or start-up grant for an extended learning time model.

– ***Proposed Language Changes.***

- ***Virginia e-Learning Backpack Initiative.*** Proposes changing the structure of the Virginia e-Learning Backpack Initiative, modifying the criteria for determining eligible schools to include only those not fully accredited for the second consecutive year. This change would be effective beginning with the spring 2015 grants. In addition, for schools that do not have grades 10, 11, or 12, the grants may transition with the students to the primary receiving school for all years subsequent to grade 9.
- ***Virginia Public School Authority (VPSA).*** Proposes to change the date used to determine eligibility for division-level grants for each school division involved in a consolidation available as part of the VPSA Security Equipment Grant program from September 20, 2012 to September 30, 2000. This date change would be consistent with the date used for the VPSA Educational Technology grant program.
- ***Special Education – State Operated Programs (SOP).*** Proposes adding language specifying that state funding provided for educational programs in local or regional detention homes (in the SOP account) will be based only on students detained in these facilities through a court order issued by a Virginia court.
- ***Reading Specialists.*** Proposes language changes to the new reading specialists program that would “step down” funding by half for schools participating in this program in FY 2014 by their third year. Also, the language authorizes DOE to disburse the remaining funds with priority to schools with the lowest pass rates or greater numbers of years accredited with warning.



- *Project Discovery.* Provides flexibility to distribute funding to community action agencies based on performance measures established by the Board of Directors of Project Discovery.

**Appropriation Summary for the Education Assistance Programs**  
(\$ in millions)

	<u>FY 2015</u>	<u>FY 2016</u>
<b>Standards of Quality Programs</b>		
Basic Aid	\$3,098.6	\$3,089.3
Sales Tax	1,268.1	1,312.5
Textbooks (split funded w/ Lottery)	53.2	60.8
Vocational Education	51.0	51.1
Gifted Education	33.2	33.4
Special Education	368.7	370.0
Prevention, Intervention, and Remediation	100.8	101.0
VRS Retirement	383.7	385.2
Social Security	187.2	187.2
Group Life	13.0	13.0
Remedial Summer School	<u>25.1</u>	<u>26.6</u>
<b>Total</b>	<b>\$5,582.6</b>	<b>\$5,630.8</b>
<b>Incentive Programs</b>		
Governor's Schools	\$15.8	\$16.1
Governor's Schools Planning and Start-up Expansion	0.1	0.1
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
Virginia Workplace Readiness Skills Assessment	0.3	0.3
Early Reading Specialists	1.5	1.5
Math/Reading Instructional Specialists	1.8	1.8
Strategic Compensation Grants	<u>7.5</u>	<u>7.5</u>
<b>Total</b>	<b>\$28.5</b>	<b>\$28.7</b>
<b>Categorical Programs</b>		
Adult Education	\$1.1	\$1.1
Adult Literacy	2.5	2.5
Virtual Virginia	4.3	4.3
American Indian Treaty Commitment	0.1	0.1
School Lunch Program	5.8	5.8
Special Education – Homebound	5.6	5.8
Special Education – Jails	3.6	3.7
Special Education - State Operated Programs	<u>34.1</u>	<u>34.4</u>
<b>Total</b>	<b>\$56.9</b>	<b>\$57.6</b>

**Appropriation Summary for the Education Assistance Programs**  
(\$ in millions)

	<u>FY 2015</u>	<u>FY 2016</u>
<b>Lottery Funded Programs</b>		
Foster Care	\$9.3	\$9.7
At-Risk	89.6	89.7
Virginia Preschool Initiative	71.0	71.3
Early Intervention Reading	17.9	17.9
Mentor Teacher	1.0	1.0
K-3 Primary Class Size Reduction	120.8	121.1
School Breakfast Program	4.1	4.7
SOL Algebra Readiness	12.3	12.3
Regional Alternative Education	8.1	8.1
Individual Student Alternative Education Plan	2.2	2.2
Special Education – Regional Tuition	83.0	87.7
Career & Technical Education – Categorical	10.4	10.4
Virginia Teacher Corps	0.4	0.4
Race to GED	2.6	2.6
Path to Industry Certification	1.3	1.3
Project Graduation	2.8	2.8
Supplemental Basic Aid	0.9	0.9
English as a Second Language	48.7	49.7
Textbooks (split funded w/ GF)	<u>13.5</u>	<u>6.1</u>
<b>Total</b>	<b>\$500.0</b>	<b>\$500.0</b>
<b>Technology – VPSA</b>	<b>\$70.7</b>	<b>\$71.0</b>
<b>Security Equipment – VPSA</b>	<b>6.0</b>	<b>6.0</b>
<b>Supplemental Assistance Programs</b>	<b>\$13.1</b>	<b>\$13.1</b>
(See following table below for individual allocations)		

## Supplemental Education Assistance Programs

	<u>FY 2015</u>	<u>FY 2016</u>
<b>Supplemental Education Assistance Programs</b>		
Career and Technical Education Resource Center	\$298,021	\$298,021
Charter School Assistance	100,000	100,000
Communities in Schools	794,400	794,400
Extended Learning Time, Preschool, and Alternatives	613,312	613,312
Greater Richmond Area Scholarship Program	400,000	400,000
Jobs for Virginia Graduates	373,776	373,776
National Board Certification Program	5,885,000	5,885,000
Positive Behavioral Interventions and Supports	598,000	598,000
Project Discovery	425,000	425,000
Small School Division Assistance	145,896	145,896
Southside Virginia Technology Consortium	58,905	58,905
Southwest Virginia Public Education Consortium	124,011	124,011
Teach For America	500,000	500,000
Teacher Recruitment: Preparation Pilot Initiative	808,000	808,000
Teacher Recruitment & Retention: Math & Science	400,000	400,000
Van Gogh Outreach Program	71,849	71,849
Virginia Career Education Foundation	31,003	31,003
Virginia Student Training and Refurbishment Program	225,000	225,000
Virginia Teacher Scholarship Loan Program	<u>708,000</u>	<u>708,000</u>
<b>Total</b>	<b>\$13,103,349</b>	<b>\$13,103,349</b>

- **Department of Education**

- *Center for Excellence in Teaching at George Mason University.* Adds \$315,923 GF the first year and \$330,137 GF the second year for a total by the second year of \$550,328 GF for the Center’s residential summer professional development academies for exemplary teachers.
- *Academic Reviews.* Adds \$309,680 GF each year for academic reviews of schools that are not fully accredited. Based on 2012-13 test results which included new, more rigorous tests in math and English, 399 out of 1,827 schools are not fully accredited, up from 103 a year earlier.
- *Positive Behavioral Interventions and Supports (PBIS).* Proposes adding \$125,000 GF each year for statewide training for public school teachers and

administrators on PBIS to reduce disruptive behavior in the classroom. This brings the total under DOE to \$402,000 GF per year. There is also a companion budget allocation in Direct Aid for \$598,000 GF each year to expand the number of schools participating in training in reducing disruptive behavior in the classroom (previously, this initiative was referred to as the Effective School-wide Discipline System).

- *“PALS” Early Reading Diagnostic.* Proposes an additional \$104,752 GF in the first year and \$89,652 GF in the second year to align the Phonological Awareness Literacy Screening (PALS) with revisions to the English Standards of Learning assessment and support teachers and coordinating assessment results with lesson plans.
- *Sale of Educational Resources.* Proposes amending language that authorized the Department to collect proceeds from the sale of educational resources to discontinue the requirement that general fund costs must first be recovered.

- **Secretary of Education**

- *End College Partnership Laboratory Schools Grants.* Proposes elimination of \$600,000 GF in the second year for planning and development of innovative educational programs pursuant to Chapter 871 of the 2010 Acts of Assembly, with the Secretary of Education authorized to select institutions of higher education to receive the funding. An appropriation of \$600,000 GF would remain in FY 2015, marking the fourth year of such funding.
- *Study Governor’s School Funding Formula.* Proposes language directing the Secretary of Education to conduct a study of the formula used to determine governor’s schools payments, to include consideration of the length of the program, appropriate state and local shares, and the academic model used by the schools.

- **New “Opportunity Educational Institution” (OEI) State Takeover Board**

- *Funds OEI under a Separate Agency Code with Authority to Take Over Schools Accredited with Warning for Three Consecutive Years.* Proposes to set out as a stand-alone entity (previously funded under the Department of Education) under the Education Secretariat and increases from the \$150,000 GF approved for FY 2014 to \$600,000 GF each year and 7.0 authorized positions for the new Opportunity Educational Institution (OEI) created pursuant to Chapter 805 of the 2013 Acts of Assembly. The OEI was established to provide an appropriate education for students in any public education school that has been transferred into the Institution. Schools denied accreditation for the previous two years must be transferred to the OEI and consistent with Chapter 805, proposed new

language specifies that any school accredited with warning for three consecutive years may be transferred following a majority vote by the Board to transfer. The OEI may operate these schools in whatever manner the Institution's Board determines is most likely to achieve full accreditation, including charters and college lab schools. Each student enrolled in a school under the supervision of the OEI must have his or her proportionate state, federal and local per pupil dollars transferred from the school division of residence to the OEI. Proposed new language specifies that no more than 35 percent of funding may be for non-instructional costs, including administration of the OEI. There remains inconsistency between the proposed budget language and Chapter 805 regarding the definition of per pupil funding that is to follow the student.

- **Virginia School for the Deaf and Blind**
  - *No Amendments other than the Distribution of Technical Adjustments.* No amendments proposed other than those technical adjustments distributed to agencies.