Public Education

Proposed Adjustments to Direct Aid as Introduced (\$ in millions)				
	FY 2019	Proposed	FY 2020 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF NGF</u>	
2016-18 Base Budget, Ch. 836	\$6,030.0	\$1,618.6	\$6,030.0	\$1,618.6
Proposed Increases	300.0	219.7	401.3	219.7
Proposed Decreases	<u>(93.5)</u>	<u>(35.3)</u>	<u>(92.0)</u>	<u>(45.3)</u>
\$ Net Change	206.5	184.3	309.4	174.3
HB/SB 30, as Introduced	\$6,236.5	\$1,802.9	\$6,339.4	\$1,792.9 (0.6%)
% Change, Over Prior Year	3.4%	11.4%	1.6%	

• Direct Aid to Public Education

- A listing by locality of the estimated funding for FY 2019 and FY 2020 Direct Aid to Public Education is included as Appendix A and B, respectively.
- In addition, a separate Supplemental Table for FY 2019 and FY 2020, that reflects significant key rebenchmarking details, is also included as Appendix C and D, respectively.

Summary of Proposed Actions for Direct Aid to Education

(GF \$ in millions)

	<u>FY 2019</u>	<u>FY 2020</u>	Total
Rebenchmarking Updates:	<u>112019</u>	<u>1 1 2020</u>	<u>10tai</u>
Update Prevailing Salaries & Other Personal-Related Data	\$95.6	\$95.9	\$191.5
Update Non-personal (Textbooks, Transp., Inflation)	73.0	75.6	148.6
Update Student Enrollment Projections	27.6	37.8	65.4
Update Health Care Premium Cost	29.0	29.0	58.0
Update Incentive, Categorical, and Lottery Accounts	18.8	27.6	46.4
Reset SOQ Model Base Data	3.3	3.3	6.6
Update Federal Revenue Deduct Per Pupil Amount	(1.1)	(1.2)	(2.3)
Update SOL Failure Rates, Student Free Lunch Eligibility	(1.7)	(1.8)	(3.5)
Update Support Position Ratio	<u>(9.5)</u>	<u>(9.4)</u>	<u>(18.9)</u>
Subtotal (as of September 2017)	\$235.0	\$256.8	\$491.8
Update Projected Sales Tax Revenue and School-aged Pop.	\$17.1	\$30.8	\$47.9
Update Local Composite Index	(0.8)	(0.9)	(1.7)
Update ADM Based on Fall Membership, and Other Updates	(7.1)	(4.4)	(11.5)
Update VRS, RHCC, GL Rates	(22.5)	(22.6)	(45.1)
Update Lottery Revenue Forecast	(40.2)	(40.2)	(80.4)
Update Literary Fund and Backfill with GF	<u>35.0</u>	<u>45.0</u>	<u>80.0</u>
Subtotal (Other Updates as of December 2017)	(18.5)	\$7.7	(\$10.8)
Subtotal for All Rebenchmarking Updates	\$216.5	\$264.5	\$481.0
Policy Changes:			
State's Share of 2% Compensation Increase	\$0.0	\$51.3	\$51.3
FY 2019 "No Loss" Funding	11.5	0.0	11.5
Funding a Full-Time Principal in Elem Schls less than 300 ADM	0.0	7.7	7.7
Expand At-Risk Add-On Range to 14.0%	0.0	7.1	7.1
Extend FY 2018 Governor's School Extra Funding Policy	1.3	1.3	2.6
Increase Positive Behavior Intervention and Support (PBIS)	0.5	0.5	1.0
Establish a New Fund for Principal Recruitment and Retention	0.5	0.5	1.0
New Cyber Security "Camps"	0.5	0.5	1.0
Increase Virginia Reading Corps	0.0	0.3	0.3
Increase Project Discovery	0.1	0.1	0.2
New Provisionally-Licensed Minority Teachers Test Prep Assist.	0.1	0.1	0.1
Transfer Computer Science Teachers Training to VCCS	(0.6)	(0.6)	(1.1)
Apply Pre-K Non-participation @ 25.43% (Ch. 836 rate)	<u>(23.9)</u>	(24.0)	<u>(47.9)</u>
Subtotal for Policy Changes	(\$10.1)	\$44.8	\$34.8
Total	\$206.5	\$309.4	\$515.9

Summary of Proposed Revenues for Direct Aid to Education

(\$ in millions)

	Ch. 836	HB/SB 3	30
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
General Fund	\$6,030.0	\$6,236.5	\$6,339.4
Special Fund	0.9	0.9	0.9
Commonwealth Transportation	2.4	2.1	2.1
Trust & Agency			
Lottery Proceeds Fund	546.5	586.7	586.7
Literary Fund	181.3	146.3	137.3
Local Tuition – Virtual VA	0.4	0.4	0.4
Federal Trust	887.1	1,066.5	<u>1,066.5</u>
Grand Total for all Revenue Sources	\$7,648.6	\$8,039.4	\$8,132.3

State's Share of Biennial Rebenchmarking. Preliminary rebenchmarking calculations by the Department of Education as of September 2017 were \$235.0 million GF in FY 2019 and \$256.8 million GF in FY 2020, which totaled \$491.8 million GF for the biennium.

The Governor's introduced budget for FY 2018-20 included updating the remaining rebenchmarking data steps, which resulted in a net rebenchmarking amount of \$481.0 million GF for the biennium.

- *Projected Enrollments.* Reflects student enrollment projections estimated to total 1,252,434 in the unadjusted ADM in FY 2019, and 1,257,773 students in FY 2020, up from 1,248,936 for FY 2018 in Chapter 836 of the 2017 Acts of Assembly (the updated projection for FY 2018 in the caboose bill (HB/SB 29) is now 1,247,837).
- *Funded Instructional Salaries.* Reflects updated funded salary levels from 2016-18 to 2018-20 due to base year (FY 2016) prevailing salaries adjustments and reflects the statewide prevailing average salaries and the state's 2 percent salary incentive supplement for FY 2018.

Instructional Positions	2016-18	2018-20	Percent Change	
Elementary Level:				
Teachers	\$47,185	\$48,298	2.4%	
Assistant Principals	67,119	68,545	2.1%	
Principals	82,846	85,115	2.7%	
Secondary Level:				
Teachers	\$49,744	\$51,167	2.9%	
Assistant Principals	72,057	74,535	3.4%	
Principals	92,041	93,695	1.8%	
Instructional Aides	17,108	17,738	3.7%	

- *Health Care Premiums.* Reflects prevailing costs associated with the health care premium rate of \$5,086 per funded position (adjusted for actual participation and inflation), up from \$4,604 per funded position in the current FY 2018 amount.
- *Funded VRS Fringe Benefit Rates.* The employer rates changed for teacher retirement from 16.32 percent to 15.68 percent, retiree health care credit from 1.23 percent to 1.20 percent, and no change to the group life rate of 0.52 percent. The rate adjustment also reflects a reduction in the funded employer rate for retirement contributions paid on behalf of non-professional support positions from 7.11 percent to 6.28 percent (actual rates vary by school division).
- Base Year Expenditures. Reflects various adjustments including base year (FY 2016) 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, calculated at \$100.69, compared with the funded amount of \$109.78 for FY 2018 in Chapter 836.
- *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 \$40.2 million NGF each year for total proceeds of \$586.7 million NGF each year: the additional lottery revenues are budgeted to offset and save a like amount of general fund expenditures each year.

• Update Composite Index of Local Ability to Pay (LCI). The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2013 to 2015, which are 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.

In FY 2020, the 15-year period for the Local Composite Index for Alleghany due to its consolidation with Clifton Forge in FY 2005 will be complete, resulting in the resumed use of the routine calculation for the Local Composite Index, rather than the more favorable of the two.

- Projected Sales Tax Revenue. The sales tax revenues from the one cent portion along with 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 \$1,377.9 million GF in Chapter 836 for FY 2018 to \$1,410.8 million GF in FY 2019 and \$1,441.8 million in FY 2020. The sales tax revenue increases generate offsetting savings in the state's share of SOQ Basic Aid funding of \$18.3 million GF FY 2019 and \$35.7 million GF in FY 2020. When combined, the net impact of the updated sales tax revenue estimates and the SOQ Basic Aid offsets, total funding to school divisions increase by \$14.5 million in FY 2019 and \$28.2 million in FY 2020.
- *Update Sales Tax Distribution for School Age Population.* Adds \$2.6 million GF in both years to reflect the updates to the sales tax distribution to local school divisions that are now based on the July 1, 2016, estimate of school age population.
- Free Lunch Percentage Calculation Methodology for Community Eligible Program (CEP) Schools and Divisions. Includes language indicating that for schools that participate in the Community Eligibility Program, most recent data will be used for those programs that include Free Lunch as a component of its funding formula. Prior to school divisions electing to participate in this federal program, the rebenchmarking process used an average of the three most current years of free lunch percentages reported by the school divisions for a number of funding formula calculations.

(Upon participation in CEP, schools and divisions are prohibited from directly collecting income eligibility data from families of students attending one of the participating schools. The federal CEP program provides 100 percent reimbursement for the cost of breakfast and lunch meals served to eligible students.)

Literary Fund Support for School Employee Retirement Contributions. Adds \$35.0 million GF in FY 2019 and \$45.0 million GF in FY 2020 to backfill Literary Fund revenues that previously had been used to pay for teacher retirement costs. According to the Department of Treasury, total receipts are forecasted to decline, primarily due to a reduction in transfers from Unclaimed Property, which has completed its catch-up on stock liquidation, and a diminishing revenue stream from school construction loan repayments.

Proposed Revisions to Literary Fund Sources and Uses (\$ in millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenue Sources:			
Fines, Fees and Forfeitures	\$57.4	\$61.7	\$61.9
Interest Less Fees	1.3	1.6	1.3
Unclaimed Property	165.0	115.0	95.0
Interest on UCP	0.5	0.6	0.7
Unclaimed Lottery Prizes	10.1	8.0	10.1
Loan Payments to the Literary Fund and Interest	22.5	17.5	14.8
VPSA Reserve	0.0	0.0	0.0
Total	\$256.9	\$204.5	\$183.8
Expenditure Allocations:			
Teacher Retirement/Social Security	\$181.3	\$146.3	\$136.3
Technology Equipment & "Backpack" Debt Serv.	66.9	67.4	66.8
School Security Grants Debt Service	6.2	6.3	6.3
Interest Rate Subsidy	1.1	0.0	0.0
School Construction Loans	21.3	0.0	0.0
Total	\$276.8	\$220.1	\$209.6

 Backfill Driver's Education Funding. Proposes adding \$285,000 GF each year to backfill the same amount of revenue decline projected from the Department of Motor Vehicles for driver's education cost in high schools that offer driver education course.

- Proposed Policy Changes and Program / Initiative Changes

- *New Funding for State's Share of 2 Percent Salary Increase.* Proposes \$51.3 million GF in FY 2020 for the state's share of a 2 percent salary increase for instructional and support positions recognized and funded by the Standards of Quality (SOQ) funding model. The funding is calculated based on an effective date of December 1, 2019, but school divisions have the flexibility to provide the salary increases at any point over the biennium.
- *Funding for a "No Loss" Hold Harmless Allocation.* Proposes a one-time allocation of \$11.5 million GF in FY 2019 to 32 school divisions to ensure no locality receives less funding as compared to the FY 2018 budgeted amounts reflected in HB/SB 29 (Caboose Bill), as introduced.
- *Fund State's Share of a Full-Time Principal in all Elementary Schools.* Proposes \$7.7 million GF in the second year for state funding for a full-time principal in every elementary school. In Chapter 836, funding is provided for 0.5 of an elementary school principal in schools with enrollment under 300 students as prescribed by the Standards of Quality statute. The introduced budget, HB/SB 30 does not reflect any language to determine the actual funding methodology. In addition, there is no language that would require a school division to hire a full-time elementary principal with this funding. Currently, DOE has indicated that 187 locations have reported a September 30th membership with less than 300 students; 40 percent of those schools reflect membership of less than 200 students.
- *Expand At-Risk Add-On Funding.* Proposes additional funding of \$7.1 million GF in FY 2020 for the At-Risk program, which provides funding as a percentage add-on to the SOQ Basic Aid amount to support any additional costs of educating at-risk students. The range of the add-on as a percentage of Basic Aid is proposed to increase from 1-13 percent to 1-14 percent. The add-on percentage is based on the percentage of students eligible for free lunch in the school division.
- Academic Year Governor's Schools (AYGS) Funding. Proposes extending the Academic Year Governor's Schools add-on funding as provided in FY 2018 under the Chapter 836 budget, which includes a 2.5 percent increase to the base per-pupil amount calculated during rebenchmarking and an additional \$50.00 per student, per course add-on amount. These two funding components increase state funding for FY 2019 and FY 2020 by \$1.3 million GF each year.

An increase of \$221,903 GF in FY 2020 is proposed for a 2 percent compensation incentive, effective December 1, 2019, which increases the per pupil add-on by an estimated \$72.20. This funding is included in the \$51.3 million referenced above in the section for the State's Share of 2 Percent Salary Increase. In summary, the per pupil amount allocated to the Governor's Schools equals \$5,186 in FY 2019 and \$5,257 in FY 2020 – these amounts are in addition to the SOQ funding for these students.

- Positive Behavioral Interventions and Supports (PBIS). Proposes increasing the Positive Behavioral Interventions and Supports Program by \$500,000 GF each year to expand the number of schools implementing the Positive Behavioral Interventions and Supports program, which provides research-based models for schools that have significant rates of suspension or expulsion to improve school climate and reduce disruptive classroom behavior in support of the Classrooms Not Courtrooms initiative.
- *New Principal Retention and Recruitment Fund.* Proposes \$500,000 GF each year to create and establish a new Fund that will be used for principal recruitment and retention incentives in school divisions that have a memorandum of understanding with the Virginia Board of Education. The Fund will allocate grant awards to eligible school divisions to support the recruitment and retention of high-quality principals based on proposals submitted to the Department of Education using criteria established by the Department.
- New Cyber Security Camps. Proposes \$480,000 GF for new Cyber Security Camps in FY 2019 and FY 2020. The funding is intended to support a twoweek program aimed at exposing high school students to careers in cyber security and providing foundational cyber security skills.
- *Expand the Virginia Reading Corps Program.* Recommends increasing funding for the Virginia Reading Corps program by \$300,000 GF in FY 2020, from \$300,000 to \$600,000.
- *Expand Project Discovery.* Proposes increasing funding for Project Discovery initiative grantees by \$100,000 each year of the biennium, from \$662,500 to \$762,500.
- *Expand National Board Certification Bonuses.* Recommends increasing funding for National Board Certification for eligible teachers by \$110,038 in FY 2019 and by \$256,623 in FY2020, for revised totals of \$5.2 million GF and \$5.4 million GF respectively.

- *New Praxis Assistance for Provisionally Licensed Minority Teachers.* Proposes \$50,000 each year to provide Praxis assistance for provisionally licensed minority teachers. This new funding will support test fees and tutoring for provisionally licensed minority teachers seeking full licensure in Virginia. Through a request for proposal process, grants of up to \$10,000 will be awarded to school divisions, teacher preparation programs, or nonprofit institutions in Northern Virginia, Central Virginia, and Hampton Roads.
- *Transfer Funding for Teacher Computer Science Training to VCCS.* To align to legislation passed at the 2017 General Assembly Session, proposed action transfers the \$550,000 each year in funding to the Virginia Community College System (VCCS) to administer this program.
- *Virginia Preschool Initiative (VPI) Nonparticipation.* Proposes to capture savings of \$23.9 million NGF in FY 2019 and \$24.0 million NGF in FY 2020 in the Virginia Preschool Initiative based on a non-participation rate of 25.43 percent, the rate included in Chapter 836 for FY 2018: saves a like amount of general funds each year.
- Proposed Language Changes
 - Virginia Preschool Initiative (VPI). Proposed new language allows, subject to available funds each year, allocation of additional VPI slots to school divisions that have utilized 100 percent of their calculated slots from the previous year and have a waiting list of unserved children as certified on the Department of Education's October 1st Fall Verification Report in the previous year.

Funding for the reallocated slots is based on the difference between the slots in the calculation for the current fiscal year appropriation and the slots reported by school divisions in their May 15th grant proposals for the upcoming current fiscal year. Only school divisions that report using 100 percent of the upcoming school year slot allocation in the May 15th grant proposal are eligible for slot reallocation funding.

DOE indicates that additional language changes are forthcoming and intended for clarification and to align language to current practices in operating the program.

• **Breakfast After the Bell Reimbursements.** Proposes new language that expands the program eligibility by allowing middle and high schools to participate without a minimum of 45 percent student eligibility for free lunch as is the current requirement for elementary schools, and changes the

date for the required annual report on the educational impact of the program from school divisions to DOE to August 31st instead of June 30th.

Other language changes clarify the types of data that school divisions must submit in the annual report to DOE and that divisions may not eligible for funding in the following year if the August 31st reporting deadline is missed.

The elementary reimbursement rate is held at \$0.05 per meal, but the established rate for middle and high schools is \$0.10. State funding for the program remains unchanged at \$1.1 million each year – fewer elementary schools will be able to serve students due to the inclusion of all middle and high school students.

Lastly, DOE is required to establish criteria for funding priority if the number of applications from eligible schools exceeds the available funding.

- *Extended School Year.* Proposes specifying the "Targeted Extended School Year" program as the "Targeted Extended/Enriched School Year and Yearround School Grants" program. Also proposes changing a reporting date from October to November.
- *Early Reading Specialists Initiative.* Proposes changes to the eligibility criteria for the Early Reading Specialist Initiative. Schools with a third grade that rank lowest on the reading Standards of Learning assessments will be given priority for the state share of funding for a reading specialist in such schools.

Schools receiving state funds in FY 2018 under this initiative are no longer automatically eligible to receive funding in FY 2019 or FY 2020. The proposed language also allows DOE to award any unallocated funds from this initiative to schools eligible for funding under the Math/Reading Instructional Specialists Initiative. This action distributes state funds to school divisions in a different manner in the 2018-20 biennium than in fiscal year 2018, but total state funding for the program remains constant at \$1.5 million each year.

Math/Reading Instructional Specialists Initiative. Proposes changes to the eligibility criteria for the Math/Reading Specialist Initiative. The Chapter 836 language uses accreditation as the mechanism for determining program eligibility. The proposed language assigns eligibility based on the schools that rank lowest on the Spring 2017 SOL math or reading assessment. The state share of funding for a reading or math specialist is available to eligible schools for both years of the biennium.

The new language also allows DOE to award any unallocated funds from this initiative to schools eligible for funding under the Early Reading Specialists Initiative. This action distributes state funds to school divisions in a different manner in the 2018-20 biennium than in fiscal year 2018, but total state funding for the program remains constant at \$1.8 million each year.

• Free Lunch Percentage for Schools Enrolled in the Community Eligibility Provision Program. New language is proposed that indicates that the free lunch rate for schools that participate in the Community Eligibility Provision (CEP) program be based upon the most recent data available prior to that school's enrollment in the program, for the purpose of funding entitlements that are based on school level or division-level free lunch eligibility percentages.

Three-year average division-level free lunch rates used in the Prevention, Intervention, and Remediation Program and school-level free lunch rates used in the K-3 Primary Class Size Reduction Program vary depending on when the division or individual school entered the CEP program.

- *Virginia Teacher Scholarship Loan Program.* Proposed language changes the Virginia Teacher Scholarship Loan Program intended to incentivize students in teacher education programs to fill vacancies in high-need schools. Students with an undergraduate grade point average of at least 2.7 will be now be eligible for up to a \$20,000 scholarship (previously the annual scholarship was \$10,000) if they teach for two years in a top five critical shortage subject and in a school with a free and reduced lunch population of 50 percent or greater. Minority students may be enrolled in any content area for teacher preparation. Recipients who only complete one year of the two-year teaching obligation will be forgiven for one-half of the scholarship loan amount.
- STEM Teacher Recruitment and Retention Incentive. Recommends changes to the STEM recruitment and retention program to attract qualified teachers to middle and high schools experiencing difficulty in recruitment and retention. Teachers employed full-time in a STEM subject area in a hard-to staff school are eligible for a \$5,000 incentive per year for up to three years. The criterion limiting teacher eligibility to those with up to three years of teaching experience is eliminated. Eligibility for incentive payments will be based on an application process managed by the Department of Education. Language directs DOE to prioritize distributions based on school divisions experiencing the most acute difficulties in recruiting qualified teachers.

• Department of Education

- *Automate the Teacher Licensure Approval Process.* Proposes \$552,500 GF each year to procure an automated, web-based front-end licensure intake system.
- *Student Growth Model Development.* Proposes modifications that will allocate \$500,000 GF each year to develop of a growth scale for the existing Standards of Learning mathematics and reading assessments, which facilitate data-driven school improvement efforts and support the state's accountability and accreditation systems. In Chapter 836, the funding was directed toward a pilot program to provide personalized instructional and academic planning.
- *Enhance eMediaVA Funding.* Recommends \$400,000 the second year for statewide digital content development, online learning, and related support services through eMediaVA.
- *Virginia Kindergarten Readiness Program.* Proposes an additional \$275,000 GF each year for the Virginia Kindergarten Readiness Program to develop and implement a post-kindergarten assessment that will measure student growth at the conclusion of kindergarten for those schools that are currently participating in the program.
- *Environmental Education.* Recommends \$250,000 GF each year and two full-time positions to DOE to coordinate environmental education efforts in Virginia.
- School Performance Report Card. Proposes \$150,000 GF both years to update the School Performance Report Card to reflect revisions to the Standards of Accreditation and to meet reporting requirements of the Every Student Succeeds Act of 2015.
- *Funding to Research Educator Misconduct.* Proposes \$78,084 GF each year to support local school division access to the National Association of State Directors of Teacher Education and Certification (NASDTEC) Clearinghouse to research teacher misconduct.
- Advisory Council for Digital Citizenship, Internet Safety, and Media Literacy. Proposes \$75,000 GF each year to DOE to establish and support an advisory council to provide recommendations regarding best practices for instruction in digital citizenship, internet safety, and medial literacy and methods of instructing students safely, ethically, responsibly, and effectively using media and technology resources.
- *Virginia Preschool Initiative Site Visits.* Recommends \$50,000 GF each year for DOE to resume site visits to Virginia Preschool Initiative (VPI) programs. Site

visits will help ensure compliance with state guidelines and provide technical assistance to localities for best practices for implementing high-quality preschool programs. These funds will provide increased technical assistance and professional development opportunities for VPI local coordinators through regional annual VPI coordinator meetings.

- **Transfer of Summer Food Service Program & At-Risk Afterschool Meals.** Reflect the transfer of the Summer Food Service Program and the At-Risk Afterschool Meals component of the Child and Adult Care Food Program from the Department of Health to the Department of Education to administer. The transfer includes five full-time positions and \$749,176 NGF each year. There is also a companion amendment in the Direct Aid to Public Education budget that reflects the transfer of \$14.3 million NGF each year in pass-through funding to school divisions participating in these programs.
- *Reduce Funding for Computer Adaptive Test Revisions.* Captures \$780,584 GF each year, which represents a portion of the funding provided to DOE in the 2016-18 biennium to transition Standards of Learning tests to a computer adaptive test format. The remaining appropriation will support revisions to the current computer adaptive tests to incorporate the Board of Education's revisions to the mathematics and English Standards of Learning.
- *Technical Adjustments.* Also reflects technical adjustments distributing dollars to the agency for items that were centrally funded in Chapter 836.

• Virginia School for the Deaf and Blind

- *Technical Adjustments.* Also reflects technical adjustments distributing dollars to the agency for items that were centrally funded in Chapter 836.