

VACo Education Steering Committee

Summary of 2013 General Assembly Budget Action for Public Education

(HB 1500 / Chapter 806)

August 16, 2013

House Appropriations Committee

Susan L. Hogge

Overview of Direct Aid to Public Education

- Adopted biennial budget (HB1500 / Chapter 806), FY 2012 - FY 2014, includes total funding for Direct Aid that equals \$13.5 billion
 - \$6.7 billion FY 2013
 - ▶ \$5.8 billion state funds and \$870.9 million federal funds
 - \$6.8 billion FY 2014
 - ▶ \$5.9 billion state funds and \$870.9 million federal funds

- Net changes relative to Chapter 3, from the 2012 Session, total increase of \$135.7 million over the two years
 - \$5.7 million General Fund increase
 - \$42.2 million Lottery Proceeds Fund increase
 - \$14.2 million Literary Fund increase
 - \$73.6 million Federal funds increase

Technical Updates to SOQ, Incentive & Categorical Accounts

- Revisions that reflect slower estimated growth in student ADM resulted in a \$19.6 million GF decrease
 - FY 2013: \$8.9 million decrease due to 1,183 fewer students projected
 - ▶ Revised ADM estimate of 1,221,486
 - FY 2014: \$10.7 million decrease due to 1,290 fewer students projected
 - ▶ Revised ADM estimate of 1,228,510
- Updates to Incentive and Categorical Programs for lower student participation levels
 - FY 2013: \$1.0 million decrease
 - FY 2014: \$0.5 million decrease

Technical Updates for Sales Tax

- Revised school-aged population, revenue forecast for sales tax, and subsequent impact to SOQ Basic Aid payments resulted in a net increase of \$9.7 million GF over the biennium
 - An increase in sales tax revenue reduces both the state’s share and the local matching share for Basic Aid costs
 - A decrease in sales tax revenue increases both the state’s share and the local matching share for Basic Aid costs

Amendment Actions	<u>FY 2013</u>	<u>FY 2014</u>	<u>Biennium</u>
Update to School-aged Population Count	\$0	\$2,033,289	\$2,033,289
Sales Tax Revenue Reforecast	\$9,100,000	\$8,350,000	\$17,450,000
SOQ Basic Aid Adjustment	(\$5,100,512)	(\$4,681,102)	(\$9,781,614)
Net Sales Tax Change	\$3,999,488	\$5,702,187	\$9,701,675

Other Technical Updates

- Adds \$6.2 million GF in FY 2014 to reflect the consolidation of the Bedford County and Bedford City school divisions due to the reversion of the city to a township status
 - Note: newly adopted language has changed the funding methodology for future school division consolidations
- Additional \$371,598 for corrected data from divisions for Virginia Preschool Initiative, school breakfast and remedial summer school
- Updates National Board Certification allocation based on the most recent actual number of eligible teachers -- saves \$85,000 GF in FY 2013 and adds \$125,000 GF in FY 2014
 - New language also moves the deadline for divisions to report the number of eligible teachers from September 30th to October 15th
- Updates budgeted federal fund appropriation by \$36.8 million each year to better reflect the anticipated grant awards that school divisions receive

Updates to Lottery & Literary Funds

Lottery Proceeds Fund Revenues:

- The budget reflects adjustments for prior year balances of \$42.2 million for a revised total of \$499.5 million in FY 2013
 - FY 2014 Lottery revenue allocation remains unchanged at \$462.0 million
- Also reflects technical adjustments for lower student participation rates for programs funded with Lottery revenues, resulting in \$11.2 million in FY 2013 and \$4.8 million in FY 2014 of 'freed up' Lottery money
- Amendments allocate those available net Lottery revenues to fund and supplant a like amount of general fund programs for a total GF savings of \$53.4 million in FY 2013 and \$4.8 million in FY 2014

Literary Fund Revenues:

- Reflects a technical adjustment for an additional \$9.0 million in FY13 and \$374,018 in FY14
 - Supplants a like amount of general fund costs for VRS
- Adds \$6.1 million in revenues generated from permitting an add-on for related costs of outside collection agencies
 - Supplants a like amount of general fund costs for VRS
- Reprograms \$1.3 million for debt service for security equipment

2% Salary Incentives , COCA and Strategic Compensation Grants

- **Teachers and Support Salary Incentive:** Provides \$70.3 million GF for the state's share of related costs
 - Optional participation & requires a local match – must provide at least a 2% increase by January 1, 2014, or 6 months worth of costs to be eligible for 11 months of funding from state
 - Added revenue contingency language
 - Includes language that school divisions cannot count phase-in of the VRS swap as its local match
- **Strategic Compensation Grants (SCG) Initiative:** Provides \$7.5 million GF in second year for competitive grants to school divisions that design and implement compensation systems that award incentive payments to teachers who meet eligibility criteria
- **Cost of Competing Adjustment (COCA) Supplement for Support Positions:** Reduces FY2014 by \$2.7 million GF
 - Fully funded school divisions from 9.83% to 6.98%
 - Partially funded school divisions from 2.45% to 1.75%

New Program Initiatives

- **Funding for the Board of Education's recommended teacher staffing standard for students who are blind or visually impaired:** Adds \$4.9 million GF in FY14
 - There is a companion amendment in the Department for the Blind and Visually Impaired (DBVI) that reflects a savings of \$502,662 GF in the second year
 - ▶ DBVI funding had been allocated to reimburse those school divisions that paid for hourly teachers to provide services to these students
- **Security Equipment Fund:** Establishes a five-year \$30.0 million revolving Security Equipment Fund to offer annual competitive grants up to \$100,000 per division
 - Provides \$6.0 million each year to enhance school security and requires a 25% local match
 - Funded through the Literary Fund
 - Adds \$1.3 million GF in FY14 to pay for transferred VRS costs
- **Reading Specialist in Low Performing Schools:** Adds \$1.4 million GF the second year to provide the state's share of one reading specialist per elementary school that scores below 75% on the third grade reading SOL test
- **New STEM Learning Initiative:** Adds \$129,500 GF for a Pre-K and kindergarten students Fairfax and Loudoun

Expanded Program Initiatives

- **Math/ Science Recruitment and Retention Initiative:** Adds \$708,000 GF the second year
 - Provides a \$5,000 first year incentive award and \$1,000 for up to three years thereafter to eligible new math, physics, or technology teachers
 - New language also expands the eligibility to middle schools, 2nd & 3rd year experienced teachers, and those teachers reassigned to hard-to-staff schools not fully-accredited
- **Effective School-wide Discipline Initiative:** Adds \$341,040 GF in the second year to implement or expand program to about 58 schools that have high suspension or expulsion rates
 - Also there is an additional \$277,000 in DOE's Central Office budget that would be used to develop and train school personnel
- **Pathways to Industry Certification Initiative:** Provides an additional \$267,548 GF in the second year to help offset increased exam fees and more students taking the tests
 - Also adds flexibility to allow Workplace Readiness Skills Assessment funds to be used for the Path to Industry Certification initiative
- **Charter School Initiative:** Provides \$100,000 GF the second year for supplemental grants for applicants

Other K-12 Initiatives in FY 2014

- **Virginia Student Training & Refurbishment Information Technology (STAR IT) Initiative:** Adds \$225,000 GF for computer equipment and expansion of program
- **Year-Round Schools:** Provides \$412,500 GF for planning grants up to \$50,000 to divisions interested in submitting an application to DOE for new year-round programs
 - Nine existing year-round programs can apply for any balances
 - Includes language for a voluntary survey to school division superintendents to determine levels of statewide interest
- **College Readiness Center (CRC) Initiative:** Adds \$87,500 GF to continue the pilot's extended school calendar middle school program for selected students in grades six through eight
 - The goal of the CRC is to decrease the number of college students who would need remedial classes prior to graduation

Other K-12 Initiatives

- **Project Discovery:** Adds \$75,000 GF the second year for a portion of the administrative costs associated with the Project Discovery college access program that primarily serves disadvantaged high school students in 25 school divisions across the state
- **Academic Year Governor's School:** Adds \$36,998 GF the second year to increase the funding cap for the academic year Governor's Schools from 1,700 to 1,725 student slots
- **Early Intervention Reading Initiative:** Saves \$425,331 GF the second year by adjusting the funding methodology that determines the percentage of third grade students funded in the program
 - This change will make the third grade funding formula methodology consistent with the formula used for the other grade levels included in the initiative -- kindergarten through second grade
- **Performance Pay Pilot:** Saves \$452,327 GF the first year by capturing anticipated savings in the performance pay pilot initiative due to the availability of eligible federal funds that were used to supplant a portion of the \$1.1 million in total awards to qualifying teachers

Language Amendments

■ **School Division Consolidation Policy:**

- Changes the consolidation agreement policy by requiring DOE to use a blended local composite index (LCI) instead of the lower LCI of the two divisions beginning in FY 2014
- Changes the period of time that DOE would use the new blended LCI after a consolidation from 15 years to a range between 5 and 15 years
- Adds language directing JLARC to analyze the costs of incentives for consolidation and identify possible savings by October 1, 2014
- Requires Bedford to undergo a school efficiency review
- Any school division that is participating in an existing consolidation is exempt from these policy changes

■ **Virginia Teaching Scholarship Loan Program:**

- Increases the annual tuition amount from \$3,720 to \$10,000
- Focuses student eligibility to top 10% of high school class

■ **VPSA Tablet Initiative:**

- Reprograms existing \$26,000 supplemental grant awards provided to schools not fully accredited to purchase tablet computers for 9th graders

Language Amendments

- **Required School Nurse Spending:** Removes the requirement that school divisions spend 100 % of state health services funding on health services and restores the flexibility to permit expenditure costs to reflect actual student needs rather than budget allocation
 - This change would be consistent with the current practice for all other state allocations to school divisions
- **Required Local Effort Report (RLE):** Language reduces the data reported for the RLE by allowing superintendents to certify sufficient funds have been budgeted rather than submitting actual detailed budget data
- **School Opening Date Waiver:** Extends the current waiver for those school divisions originally granted a waiver for the opening date of the 2011-12 school year under the “good cause requirements” to continue to be granted the waiver for a second year into 2013-14

Central Office – \$1.9 Million for FY 2014

- **Academic Reviews:** Adds \$500,000 GF for academic reviews of schools that are not fully accredited
- **Effective School-wide Discipline System Training:** Adds \$277,000 GF to help develop and conduct statewide training for teachers and administrators on implementation of an effective school-wide discipline system that reduces disruptive behavior in the classroom
 - Direct Aid budget includes \$341,040 GF to expand the number of schools implementing a system
- **Virginia Longitudinal Data System (VLDS):** Adds \$276,060 GF for operation of the system
- **New Virginia Center for Excellence in Teaching:** Adds \$220,191 GF to establish a new Virginia Center for Excellence in Teaching
 - It would be designed to operate a series of residential summer professional development academies for exemplary teachers who:
 - ▶ 1) hold a Virginia teaching license
 - ▶ 2) a minimum of five successful years of teaching
 - ▶ 3) a consistent record of effective instruction
 - ▶ 4) demonstrated leadership abilities
 - DOE will solicit competitive proposals from institutions of higher education to create and operate the center

Central Office (continued)

- **Establish the Opportunity Educational Institution (OEI):**
Adds \$150,000 GF to support the implementation of the OEI, pursuant to Chapter 805 of the 2013 Acts of Assembly (SB 1324)
 - Established to provide an appropriate education for students in any public education school that has been transferred into the Institution because it has been denied accreditation for the previous two years
 - May operate these schools in a manner the Institution's Board determines most likely to achieve full accreditation, including charters and college lab schools, using state, federal and local per pupil dollars
- Additionally, language under the Legislative Department directs JLARC to report by June 30, 2014, on options for restructuring the lowest performing schools or divisions

Central Office (continued)

- **Administration of Two Tax Credit Programs:** Adds \$178,806 GF to support implementation of the Education Improvement Scholarships Tax Credits program and expansion of the Neighborhood Assistance Tax Credits program
- **Phonological Awareness Literacy Screening (PALS) Contract with UVA:** Provides \$104,783 GF to develop online professional development materials, contract for professional data management services, and recognize increasing operational costs
- **Innovative Education Technical Advisory Group:** Adds \$100,000 GF for the Innovative Education Technical Advisory Group to assist new applicants seeking to establish charter, college laboratory, or virtual schools

Central Office (continued)

- **Additional VITA Charges:** Adds \$86,938 GF the second year to cover the costs of expanded VITA charges for the related education data system
- **Update NGF to Reflect Expected Federal Funds:** Reduces the net NGF allocation for federal budget appropriation estimates by \$2.6 million the second year
 - Budget action reflects adjustments that align the official appropriation amounts with the anticipated federal grant awards, based on the level of administrative transfers in recent years to Virginia

SOE & VSDB

■ Secretary of Education

- **College Labs:** Adds \$600,000 GF in FY 2014 for the development and implementation of College Partnership Laboratory Schools at public and private institutions of higher education that operate a teacher education program approved by the Board of Education
- **School of the Future:** New language authorizes the Secretary of Education to consider and review potential planning steps necessary to develop and implement a conceptual model for an Integrated School of the Future, including infusing engineering and mathematical principles across the curriculum and providing state-of-the-art technology

■ Virginia School for the Deaf and Blind

- Includes \$168,355 GF the second year and adds four full-time positions to increase security personnel
- Adds \$113,802 GF in FY 2013 to help to help offset a portion of the unrealized revenue from estimated rent

Other Agency Amendments Impacting K12

■ **Department of Human Resource Management (DHMR):**

- Includes \$100,000 GF in FY13 to conduct an actuarial review of the impact of including of local government and school employees, and their dependents in the state employee health benefits plan
 - ▶ Report findings and recommendations to the Chairmen of the House Appropriations and Senate Finance Committees no later than October 15, 2013

■ **Department of Planning and Budget (DPB):**

- Includes \$125,000 in FY14 for school efficiency reviews
 - ▶ Changes the local match from 50% of total cost to either a LCI match or 50% whichever is greater
 - ▶ Allows divisions to work with DPB to contract and conduct a review at 100% expense to the division

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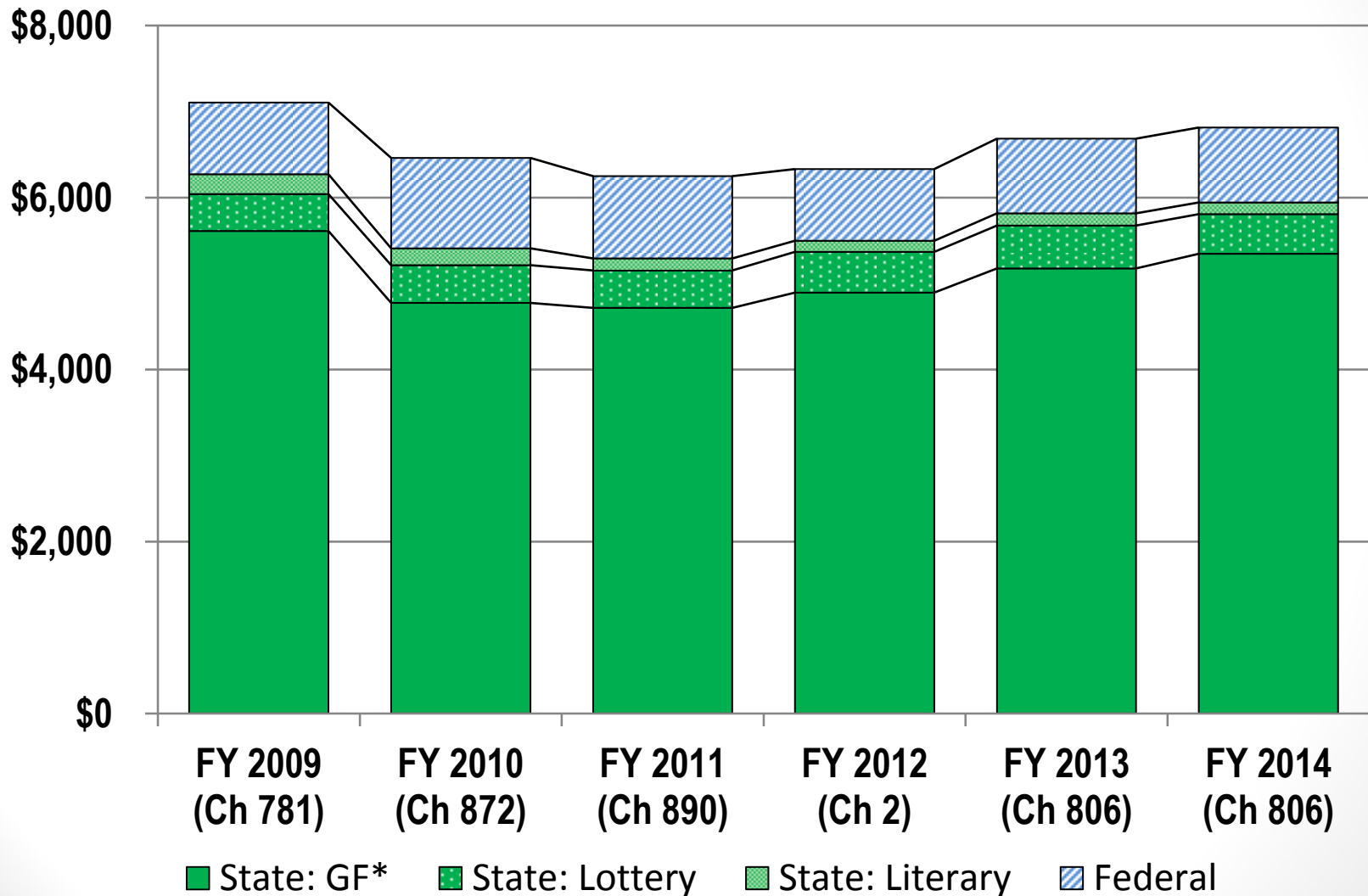
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Summary of Direct Aid Funding Over Last Three Biennia *FY 2009 - FY 2014*

Direct Aid to Public Education Funding



*Includes Special and Commonwealth Transportation funds