

Overview of Lottery Amendments in SB 850 as Introduced

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Overview of Lottery Actions in SB 850

- Lottery (NGF) revenue estimates reduced \$30.5 million for FY09 and \$30.8 million for FY10 compared to Chapter 879 budget.
- For FY09, Lottery funds are appropriated for 10 operational programs: *Remedial Summer School, Foster Care, Enrollment Loss, At-risk, VPI, Early Reading Intervention, Mentor Teacher, K-3 Class Size Reduction, School Breakfast, and SOL Algebra Readiness.*
- After the state's share of these 10 programs is funded, the balance of Lottery funds is distributed on a per pupil basis via the *Additional Support for School Construction and Operating Costs* account. Divisions must use at least 50% of these funds for school construction or other non-recurring purposes.

Overview of Lottery Actions in SB 850, continued

- Two policy changes are proposed in SB 850 that reallocate the Lottery funds in the *Additional Support for School Construction and Operating Costs* account in FY10:
 1. Remove \$55.8 million in Lottery funds from the *Additional Support* account by changing the assignment of programs in the Lottery Proceeds Fund.
 - Reassigns 6 accounts from GF to Lottery funds: *Alternative Education, ISAEP, Project Graduation, Education for a Lifetime/NCLB, Special Education Regional Tuition, and Vocational Education Categorical*. Division funding for these 6 programs remains the same; fund switch only.
 - Reassigns 2 accounts from Lottery to GF: *Remedial Summer School and Enrollment Loss*.
 - This action reduces division distributions in the *Additional Support* account by \$55.8 million and creates GF savings of the same amount.

Overview of Lottery Actions in SB 850, continued

2. Use the balance of Lottery funds in the *Additional Support for School Construction and Operating Costs* account (\$60.9 million) for a one-time Funding Loss Cap payment in FY10 to limit divisions' state funding loss next year to \$403.90 per pupil due to three targeted reductions:
 - 1) establishing a support position cap; 2) elimination of School Construction Grants Program funding; and 3) elimination of \$55.8 million in Additional Support for School Construction and Operating Costs funding due to action #1 above.
 - No local match is required for the Funding Loss Cap payment. The state funds must be appropriated to the school division.
 - This action uses the remaining \$60.9 million of Lottery funds in the *Additional Support* account and distributes them through the proposed Funding Loss Cap account.

Language Amendments in SB 850

- **Local distribution of remaining balance in the Lottery Proceeds Fund in FY10**
 - distributes to school divisions the remaining balance in the Lottery Proceeds Fund after all Lottery accounts have been fully funded in FY10. Any distribution of funds would be based on the state share of the per pupil amount in March 31 ADM and the balance in the Lottery Proceeds Fund. Requires the funds be appropriated to the school division. No local match required.

Language Amendments in SB 850, continued

- **Provide flexibility in using Lottery and School Construction escrow accounts in FY10**
 - Allows divisions to withdraw funds from local escrow accounts established pursuant to §22.1-100.1 (Lottery Proceeds Nonrecurring Costs Escrow Accounts) and §22.1-175.5 (Capital School Projects Fund) to pay for recurring operational expenses (e.g., salaries) in FY10. No local match required.
 - Would require approval by the local governing body.
 - Divisions currently may deposit Lottery and School Construction Grant funds (and local match) into the escrow funds for non-recurring uses (e.g., construction, debt service, etc.) only.

Language Amendments in SB 850, continued

- **Allow unspent FY09 state funds to be carried over to FY10**
 - any locality that has met its FY09 required local effort for the SOQ or required local match for incentive, school construction, or Lottery-funded programs could carry over into FY10 any unspent state funds.

Language Amendments in SB 850, continued

- **Provide flexibility in using existing funds to employ data coordinators, reading specialists, mathematics teacher specialists, and English language learner teachers (Board of Education recommendation).**
 - use existing state/local funds for SOQ instructional technology resource teachers to employ instructional technology resource teachers, data coordinators, or blended position (1 per 1,000 staffing standard still must be met)
 - use existing state/local Early Reading Intervention funds to employ reading specialists
 - use existing state/local SOL Algebra Readiness funds to employ mathematics teacher specialists
 - use existing state/local funds for SOQ Prevention, Intervention, and Remediation to employ additional English language learner teachers
 - divisions using funds in this manner would be required to employ instructional personnel licensed by the Board of Education

Executive Amendments Proposed to SB 850

1. Adjust Sales Tax estimates

- The Sales Tax revenue estimates were revised to reflect recent sales tax holidays, proposed holidays, and other items per the Department of Taxation. The revised estimates are approximately \$1.0 million lower in FY09 and \$250,000 lower in FY10 than the estimates in SB 850 as introduced.
- As required by the Basic Aid funding formula, state Basic Aid payments are increased to offset a portion of the decreased sales tax revenues projected to be distributed to divisions. The amount of the Basic Aid offset is determined by each division's composite index. The state share of Basic Aid increases approximately \$580,000 in FY09 and \$140,000 in FY10 due to the revised sales tax estimates.

Executive Amendments Proposed to SB 850, continued

2. Reduce projected funding for the Virginia Preschool Initiative (VPI) to account for estimated non-participation:

- Reduces projected FY10 funding by \$11.9 million based on historical non-participation levels in the VPI program in order to maintain the projected program participation level established by the 2008 General Assembly. The introduced budget assumes 100% participation in the VPI program in FY10.
- School division entitlements for FY10 will be calculated based on the full formula-based student slots for each division. In the event that entitlements from actual participation exceed the available appropriation, payments to school divisions will be prorated on a statewide basis.
- The amendment also changes the Enrollment Loss and Supplemental Basic Aid accounts from GF to Lottery funds based on the \$11.9 million non-participation estimate in VPI.

Executive Amendments Proposed to SB 850, continued

3. Correct At-risk program language

- Removes an erroneous strike-through of language on the local match requirement for At-Risk funds, therefore maintaining the current local match requirement.