

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budget Amendments in Public Education and Other Education

SB 29 and SB 30, as Introduced

January 14, 2010

SENATE FINANCE COMMITTEE

Overview of Direct Aid to Localities for Public Education - SB 29 and 30

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- In addition to the Governor's September 2009 budget reductions of \$231.1 million GF, the Governor's proposed amendments in SB 29 decrease Direct Aid to localities for Public Education by an additional \$319.0 million GF in FY 2010, for a total **reduction of \$550.1 million GF or 10.3 percent, compared to Chapter 781** of the 2009 Acts of Assembly.
 - This reduction is offset by an additional \$219.0 million in federal stabilization dollars, \$72.0 million Literary Fund revenue and \$9.9 million Lottery proceeds, bringing the total proposed reduction is \$249.2 million or 3.5 percent, compared to Chapter 781.
- The Governor's proposed 2010-12 biennial budget for Direct Aid to Public Education results in a **net general fund decrease of \$392.9 million, compared to Chapter 781**.

FY 12 GF for Public Education Are Below FY 07 Levels

GF and Federal Stabilization Funds for Direct Aid to Public Education						
(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2008 Session (Ch. 847/879)	\$5,245.7 ¹	\$5,308.5 ¹	\$5,723.8	\$5,930.5 GF +\$0.0 Fed. Stab. \$5,930.5		
2009 Session (Ch. 781)			\$5,607.6	\$5,319.9 GF +\$365.2 Fed. Stab. \$5,685.1		
2010 Session (SB29/30)				\$4,769.8 GF +\$584.2 Fed. Stab. \$5,354.0	\$5,030.1 GF +\$126.4 Fed. Stab. \$5,156.5	\$5,216.8 GF +\$0.0 Fed. Stab. \$5,216.8
<p>¹For comparison purposes, figures in this table do not include any Lottery Proceeds. Chapter 847 had reflected \$5,651.1 million GF for FY 2007, which included \$405.4 million in Lottery Proceeds; and \$5,767.5 million GF for FY 2008, which included \$459.0 million in Lottery Proceeds. Beginning with FY 2009, Lottery Proceeds were no longer reflected as general funds.</p>						

Federal Stabilization Funds Mitigated FY 10 Cuts, But Leave Holes in FY 11 and FY 12

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- **FY 2010.** As of Chapter 781 (2009 Session), despite net GF reductions to Direct Aid from \$5,930.5 million GF (2008 Session) to \$5,319.9 million GF, FY 2010 actually showed a net increase over FY 2009 including the \$365.2 million federal stabilization funds allocated (primarily to backfill the cap on funding for support positions).
 - However, despite the acceleration of some FY 2011 federal stabilization funds to FY 2010, additional GF reductions in September and SB 29 resulted in a decrease from \$5,607.6 million GF in FY 2009 to \$5,354.0 million GF and federal stabilization funds in FY 2010.
- **FY 2011 and FY 2012.** Although FY 2011 GF of \$5,030.1 million surpass those dollars in SB 29, since fewer federal stimulus dollars are available for FY 2011, there is a net combined GF and federal stabilization funds decrease from the SB 29 FY 2010 amounts.
 - **FY 2012 GF of \$5,216.8 million reflects an increase over FY 2011, but remains below FY 2007 GF of \$5,245.7 million.**

Summary of September 2009 Reductions in Direct Aid for FY 2010

	GF	NGF	Total
Supplant GF with federal stabilization funds	(\$68.9)	\$68.9	\$0.0
Suspend 4 th quarter employer retirement payments	(59.4)	0.0	(59.4)
Use additional Literary Fund for retirement	(55.0)	55.0	0.0
Update Sales Tax estimate	(37.6)	0.0	(37.6)
FY 2009 Lottery Proceeds (NGF adj. made in Dec.)	(9.9)	9.9	0.0
Reduce supplemental grants, etc. by 10%	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Subtotal: Governor's Sept. Reductions	(\$231.1)	\$133.8	(\$97.3)

Summary of Proposed Amendments to Direct Aid in SB 29

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	GF	NGF	Total
Governor's Sept. 2009 Reductions (from previous slide)	(\$231.1)	\$133.8	(\$97.3)
Supplant additional K-12 GF with stabilization funds	(150.1)	150.1	0.0
Eliminate FY 2010 textbook funding	(79.6)	0.0	(79.6)
Eliminate re-benchmarking inflation update	(61.3)	0.0	(61.3)
Supplant additional GF with Literary Fund	(17.0)	17.0	0.0
Capture additional savings from 4 th Q retirement action	(9.8)	0.0	(9.8)
Delay 4 th Q state-operated programs payments	(8.2)	0.0	(8.2)
Net technical updates	<u>7.0</u>	<u>0.0</u>	<u>7.0</u>
TOTAL	(\$550.1)	\$300.9	(\$249.2)

Defer FY 2010 Textbook Funding

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- Saves \$79.6 million GF by eliminating state support for textbooks in FY 2010 only.
 - Since payments have already begun being made to school divisions through December 16, 2009, such payments would be deducted from the remaining Basic Aid payments.
 - Proposed language encourages localities and school divisions to use a portion or all of the estimated \$140 million in local savings from the suspension of the 4th quarter retirement and benefits rates to purchase textbooks and instructional materials.
 - Proposed language in SB 30 directs DOE to use the higher of FY 2009 or FY 2010 division-level textbook per pupil amounts for purposed of calculating the 2012-14 re-benchmarking.

Eliminate Inflation Update in FY 2010 and 2010-12 Biennium

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- Saves \$61.3 million GF in FY 2010 by eliminating the routine re-benchmarking update of inflation to bring base year cost data (FY 2006) up to the beginning of the biennium.
- Also saves \$4.7 million GF in FY 2011 and FY 2012 by continuing in SB 30 the elimination of the update for inflation to bring base year cost data (FY 2008) up to the beginning of the biennium.
 - In the 2006-08 biennium, re-benchmarking inflation costs were over \$100 million each year.

Summary of Re-benchmarking

	FY 2011	FY 2012	Total
Updates as of July	\$59.7	\$78.9	\$138.6
Retirement, group life, and RHCC contribution rates	45.5	45.7	91.2
Composite Index (See FY 2011 delay below.)	32.7	39.0	71.7
Net all other updates	0.5	4.4	4.9
Sales Tax and corrected census	<u>(24.5)</u>	<u>(8.7)</u>	<u>(33.2)</u>
Subtotal: Re-benchmarking*	\$113.9	\$159.4	\$273.3

** Note that the proposed re-benchmarking does not include \$376.1 million in FY 2011 or \$378.2 million in FY 2012 that would be needed to remove the FY 2010 (Ch. 781) cap on funding for support positions. The cap reduced funded support positions by about 13,000 positions, or 35 percent, mostly in the areas of Operations & Maintenance and school secretaries.*

Summary of Proposed SB 30 Direct Aid Budget Actions

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	FY 2011	FY 2012	Total
Re-benchmarking (from previous slide)	\$113.9	\$159.4	\$273.3
National Board Certification bonuses for teachers	0.5	0.5	1.0
Reduce supplemental grants, etc. by 15%	(0.4)	(0.5)	(0.9)
Anticipate savings due to MH closures; 4 th Q delay	(1.9)	(2.4)	(4.3)
Eliminate re-benchmarking inflation update	(4.7)	(4.7)	(9.5)
Literary Fund; End VPSA technology grants	(2.0)	(15.0)	(17.0)
Delay Composite Index update to FY 2012	(29.5)	0.0	(29.5)
Distribute Central Appropriations amounts	(18.2)	(18.2)	(36.4)
Supplant GF with remaining stabilization funds	(126.4)	0.0	(126.4)
Eliminate certain school expenditures from SOQ	(87.0)	(87.3)	(174.3)
Fund health care based on actual participation	<u>(134.2)</u>	<u>(135.0)</u>	<u>(269.2)</u>
TOTAL	(\$289.9)	(\$103.1)	(\$392.9)

Fund Health Care Premiums Based on Prevailing Participation Rates

- Reduces funding by \$134.2 million GF in FY 2011 and \$135.0 million GF FY 2012 by calculating Basic Aid funding for health care premiums based on actual statewide division-level premiums weighted for plan type participation.
 - Statewide, 69.7 percent of FTE positions participate in their school divisions' health care plan, or 66.1 percent based on the linear weighted average.

	Current Funding Basis	Actual Participation Rates
Employee Only	33.3%	41.2%
Employee Plus One	33.3%	13.4%
Family	<u>33.3%</u>	<u>14.1%</u>
	100.0%	68.7%

Eliminating Certain Expenditures Codes from the SOQ

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- Reduces funding by \$87.0 million GF in FY 2011 and \$87.3 million GF in FY 2012 by removing certain expenditure costs included in the SOQ Basic Aid calculations, including:
 - **Other Benefits (ASR Object Code 2800).** The Annual School Report of expenditures defines 2800 as “Includes annual and sick leave payments for personnel who terminate employment, as well as pension/retirement plans that are specific to a locality and the cost for contract buy-outs.” *Saves approximately \$30 million GF each year.*
 - **Certain Capital Outlay Replacement (ASR Object Code 8100).** This expenditure object code includes capital outlay replacement other than technology and for facilities, including machinery, equipment, furniture, fixtures, communications equipment, motor vehicles, etc., that are capitalized and cost more than \$5,000. *Saves approximately \$30 million GF each year.*
 - **Miscellaneous (ASR Object Code 5800).** *Saves approximately \$20 million GF each year.*

Delay Composite Index Update Until FY 2012

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- The elements used to calculate each school division's composite index of local ability to pay are updated from 2005 to 2007, the most current data available at the time.
 - 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 97 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs); down for 31 school divisions, and is unchanged for the remainder that are capped at 0.8000.
 - **SB 30 delays the update until FY 2012 for a net state savings of \$29.5 million in FY 2011.**

Eliminate VPSA Technology Grants

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- Saves \$13.0 million in FY 2012 in debt service (currently paid out of the Literary Fund) on the five-year Virginia Public School Authority notes for educational technology grants.
 - Also creates out-year savings of \$26.0 million each year in FY 2013 through FY 2016, and \$13.0 million in FY 2017.
 - **Not issuing the notes results in a reduction to school divisions of \$59.0 million in FY 2011 and FY 2012.**
 - Funds were distributed based on \$50,000 per school division, plus \$26,000 per school, with a required local match of 20 percent.

Across the Board Reductions to Grants to Supplemental and Other Programs

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- Saves \$221,773 GF in FY 2010 (10 percent reductions) and \$445,443 GF in FY 2011 and in FY 2012 (15 percent reductions) by reducing grants for:
 - Project Discovery
 - Jobs for Virginia Graduates
 - Career & Technical Education Resource Center
 - Great Aspirations Scholarship Program
 - Southwest Virginia Public Education Consortium
 - Van Gogh Outreach Program
 - Southside Virginia Technology Consortium
 - Virginia Career Education Foundation
 - Clinical Faculty
 - Career Switcher Mentoring
 - Virginia Technology Alliance

Proposed Language Changes in SB 30 Mostly Provide Flexibility or Clarification

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- SB 30 includes language changes on the following topics:
 - Continues previous language allowing year-to-year carry over of balances.
 - Provides DOE the authority to make changes to the Summer Governor's Schools and Foreign Language Academies as state funds have been flat for some time.
 - Reinstates required local match for Lottery, but ends the local maintenance of effort requirement that was put in place back in the beginning of the program.
 - Provides that school divisions may use textbook funding for electronic textbooks or other technology integral to the curriculum.
 - **Requires school divisions to spend all Basic Aid funds for school nurses on school nurse expenditures.**
 - *Less flexibility for school divisions*
 - Clarifications regarding: Virginia Preschool Initiative; State Funds Allocated in Locality Budget; Career and Technical Equipment Payments; and K-3 Primary Class Size Staffing Ratios.

Other Agencies

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- **Secretary of Education & Workforce**
 - Transfers Public Broadcasting budget from Secretary of Administration to Secretary of Education & Workforce
- **Department of Education (Central Office)**
 - Primarily continues September 2009 Budget Reductions.
 - Saves \$18,750 GF each year by charging school divisions tuition for non-Advanced Placement Virtual Virginia on-line courses. (Also adds \$100,000 NGF each year in Direct Aid for additional tuition revenue.)
- **Virginia School for the Deaf and Blind**
 - Continues September 2009 Budget Reductions
 - Freezes enrollment at October 2008 levels
 - Provides \$50,000 GF in FY 2010 for security at Hampton property; accounts for planned sale of Hampton property, estimated at \$3.5 million.

Other Education

- The Governor's September Budget Reduction Plan proposed decreasing general funds for Other Education agencies by about 10 percent for FY 2010, except for the Virginia Commission for the Arts, which was decreased by about 16 percent, and aid to local public libraries, which was decreased by 5 percent.
 - Virginia Museum of Fine Arts
 - Jamestown-Yorktown Foundation
 - Library of Virginia
 - Science Museum of Virginia
 - Frontier Culture Museum
 - Gunston Hall
- The Governor's proposed 2010-12 budget generally continues the September 2009 general fund reductions for the state museums, but takes some additional reductions for the Jamestown-Yorktown Foundation and doubles the reduction to aid to local libraries.

Appendix – SOQ

Standards of Quality	FY 2011	FY 2012
Basic Aid (excluding State Fiscal Stabilization Funds)	\$2,913,069,547	\$3,062,919,395
Sales Tax	\$1,078,800,000	\$1,114,700,000
Textbooks	\$50,901,192	\$51,414,358
Vocational Education	\$66,468,464	\$66,405,180
Gifted Education	\$30,844,230	\$31,245,647
Special Education	\$362,040,910	\$364,594,055
Prevention, Intervention, and Remediation	\$70,540,398	\$69,582,467
VRS Retirement	\$263,681,679	\$266,366,905
Social Security	\$175,361,743	\$177,134,431
Group Life	\$7,546,445	\$7,621,103
English as a Second Language	\$36,559,335	\$41,018,003
Remedial Summer School	<u>\$25,400,152</u>	<u>\$25,514,150</u>
Subtotal SOQ	\$5,081,214,095	\$5,278,515,694
SOQ Funded from State Fiscal Stabilization Funds	\$126,372,427	\$0

Appendix – Incentive and Categorical Programs

Incentive Programs	FY 2011	FY 2012
Governor's School	\$13,920,266	\$14,371,298
Clinical Faculty	\$318,750	\$318,750
Career Switcher Mentoring Grants	\$279,983	\$279,983
Special Education Endorsement Program	\$600,000	\$600,000
Special Education - Vocational Education	\$200,089	\$200,089
Total	\$15,319,088	\$15,770,120
Categorical Programs		
Adult Education	\$1,051,800	\$1,051,800
Adult Literacy	\$2,645,375	\$2,645,375
Virtual Virginia	\$2,356,908	\$2,356,908
American Indian Treaty Commitment	\$75,669	\$77,348
School Lunch	\$5,801,932	\$5,801,932
Special Education - Homebound	\$5,708,874	\$5,938,870
Special Education - Jails	\$3,698,491	\$4,065,031
Special Education - State Operated Programs	\$32,750,549	\$34,058,499
Total	\$54,089,598	\$55,995,763

Appendix – Lottery Funded Programs

Lottery	FY 2011	FY 2012
Foster Care	\$12,896,417	\$13,605,123
Enrollment Loss	\$8,606,312	\$8,928,389
At-Risk	\$68,340,114	\$66,467,766
Virginia Preschool Initiative	\$75,529,020	\$74,405,901
Early Reading Intervention	\$14,631,865	\$14,788,410
Mentor Teacher	\$1,000,000	\$1,000,000
K-3 Primary Class Size Reduction	\$98,233,321	\$96,510,174
School Breakfast Program	\$2,442,968	\$2,895,852
SOL Algebra Readiness	\$9,111,526	\$9,007,288
Support for School Construction & Operating Costs	\$35,068,636	\$31,974,591
Regional Alternative Education	\$7,282,572	\$7,151,164
ISAEP	\$2,247,581	\$2,247,581
Special Education – Regional Tuition	\$76,111,630	\$82,399,346
Career and Technical Education – Categorical	\$10,400,829	\$10,400,829
No Child Left Behind/Education for a Lifetime	\$4,749,675	\$4,749,675
Project Graduation	\$2,774,478	\$2,774,478
Supplemental Basic Aid	\$773,056	\$893,433
Total	\$430,200,000	\$430,200,000