
Overview of Governor's Proposed "Caboose" and Biennial Budgets in Elementary & Secondary Education and Other Education Agencies

**January 9, 2014
Education Subcommittee**



Overview of Elementary and Secondary Education and Other Education Agencies

FY 2015 (\$ in Millions)	GF	NGF	Total
Elementary and Secondary Education			
Secretary of Education	\$1.2	\$0.0	\$1.2
Department of Education	54.2	42.6	96.8
Direct Aid to Public Education	5,569.8	1,482.2	7,052.1
Opportunity Educational Institution	0.6	0.0	0.6
Virginia School for the Deaf and Blind	9.5	1.2	10.8
Other Education			
Library of Virginia (includes \$15.2M aid to local libraries)	\$27.3	\$10.5	\$37.9
Virginia Museum of Fine Arts	10.3	20.1	30.4
Science Museum of Virginia	5.5	6.3	11.8
Jamestown-Yorktown Foundation	8.0	8.0	15.9
Frontier Culture Museum of Virginia	1.6	0.4	2.0
Gunston Hall	0.5	0.2	0.7
Virginia Commission for the Arts	4.0	0.9	4.9



Overview of State Direct Aid to Public Education	FY 2015 (\$ in millions)	FY 2016 (\$ in millions)
SOQ Basic Aid, Sales Tax, Textbooks, CTE/Gifted/Special Ed/Intervention, Remedial Summer Schools, VRS/Social Security/Group Life	\$5,582.6	\$5,630.8
Categorical Special Ed, Adult Ed, School Lunch, Virtual Virginia	56.9	57.6
Lottery Proceeds ESL (SOQ), Textbooks (SOQ), Regional Special and Alt. Ed., K-3 Class Size, Preschool, At-Risk, Algebra Readiness, Early Intervention Reading, Project Graduation, CTE Equipment, School Breakfast	500.0	500.0
VPSA Debt Service Technology Equipment and E-Learning Backpack School Security Equipment	76.7	77.0
Incentive Governor's Schools, Strategic Compensation Grants, Reading Specialists, Special Education	28.5	28.7
Supplemental National Board Certification Bonuses, Teaching Scholarships, Communities in Schools, Project Discovery, Jobs for Virginia Graduates, CTE Resource Center, GRASP, Regional Consortia, Teach For America	13.1	13.1

SB 29

- Proposed amendments to Direct Aid to Public Education **decrease GF by a net \$74.6 million while increasing NGF by a net \$52.7 million** in FY 2014, primarily reflecting an increase in projected Lottery Proceeds, a decrease in Sales Tax revenue, and higher projected enrollments offset by some balances:
 - Updates for Lottery, Sales Tax, and Literary Fund projections.
 - Reflects an increase of \$33.0 million in the revised forecast of Lottery Proceeds for FY 2014 as well as \$22.2 million in available transfers from proceeds earned in FY 2013. General funds are offset by a like amount.
 - Decreases funding by a net \$16.6 million GF based on the latest Sales Tax revenue projection.
 - Adds \$2.5 million GF to backfill available Literary Fund revenue used to pay a portion of teacher retirement



SB 29 (Continued)

- Enrollment growth, program participation, and balances.
 - Adds \$7.6 million GF to fund an increase of 1,619 students from the latest Fall membership counts and backfills \$4.3 million GF that was transferred from FY 2014 to FY 2013 for higher than projected final enrollments.
 - Reduces funding by \$2.9 million GF across various Special Education regional based programs; \$898,488 GF to reflect actual enrollment in Remedial Summer School and English as a Second Language programs; \$474,800 GF based on actual participation levels in the new reading specialists program; and \$332,264 GF in Governor’s Schools balances.
 - Reduces funds by \$9.3 million GF as a result of localities not providing the salary increases required to be eligible for the state incentive funding for a 2.0 percent salary supplement.
 - Captures \$3.0 million (out of \$7.5 million appropriated) in Strategic Compensation Grant initiative balances.
- In Department of Education, Central Office, proposes reducing funding by \$105,720 GF by holding positions vacant, \$50,375 GF for efficiency savings; and \$35,000 GF by reducing teacher evaluation training funds; removes funding for state dues to Education Commission of the States (ECS).



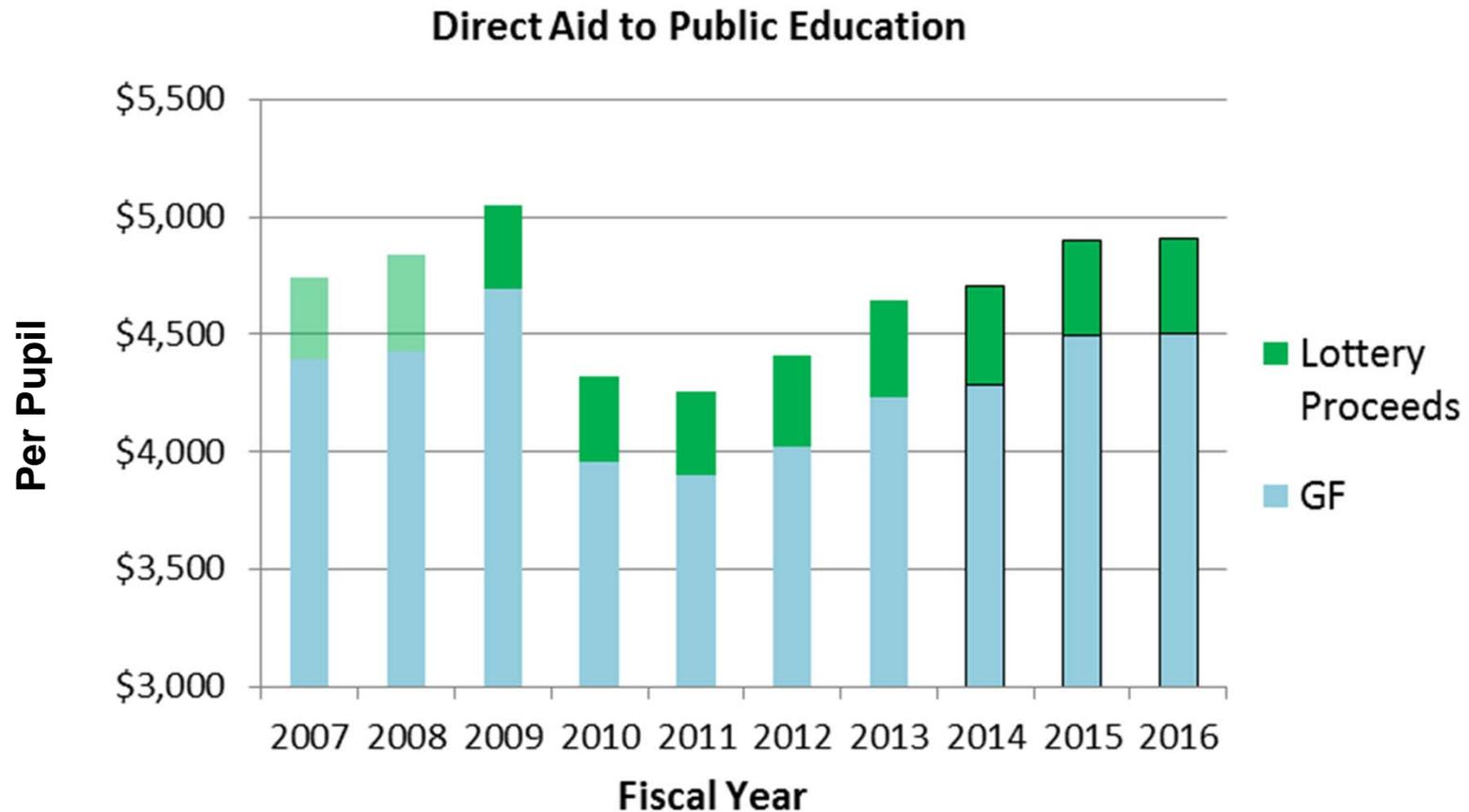
Overview of SB 30, As Introduced

Direct Aid to Localities for Public Education

	FY 2015		FY 2016	
	GF	NGF	GF	NGF
<u>Total \$ (in Millions)</u>				
Base Budget (Ch. 806)	\$5,342.5	\$1,472.4	\$5,342.5	\$1,472.4
Proposed Increases	418.1	38.0	455.4	38.0
Proposed Decreases	<u>(190.7)</u>	<u>(28.1)</u>	<u>(182.5)</u>	<u>(24.7)</u>
Net Change	\$227.4	\$9.9	\$273.0	\$13.3
SB 30, As Proposed	\$5,569.8	\$1,482.2	\$5,615.4	1,485.6
% Change, Over Prior Yr.	4.3%	0.7%	0.8%	0.2%
<u>\$ Per Pupil (Unadj. ADM)</u>				
SB 30, As Proposed	\$4,498	\$1,197	\$4,505	\$1,192
Net Change, Over Prior Yr.	\$149	(\$1)	\$7	(\$5)
% Change	3.4%	(0.1%)	0.2%	(0.4%)



Trends Since Pre-Recession



Trends

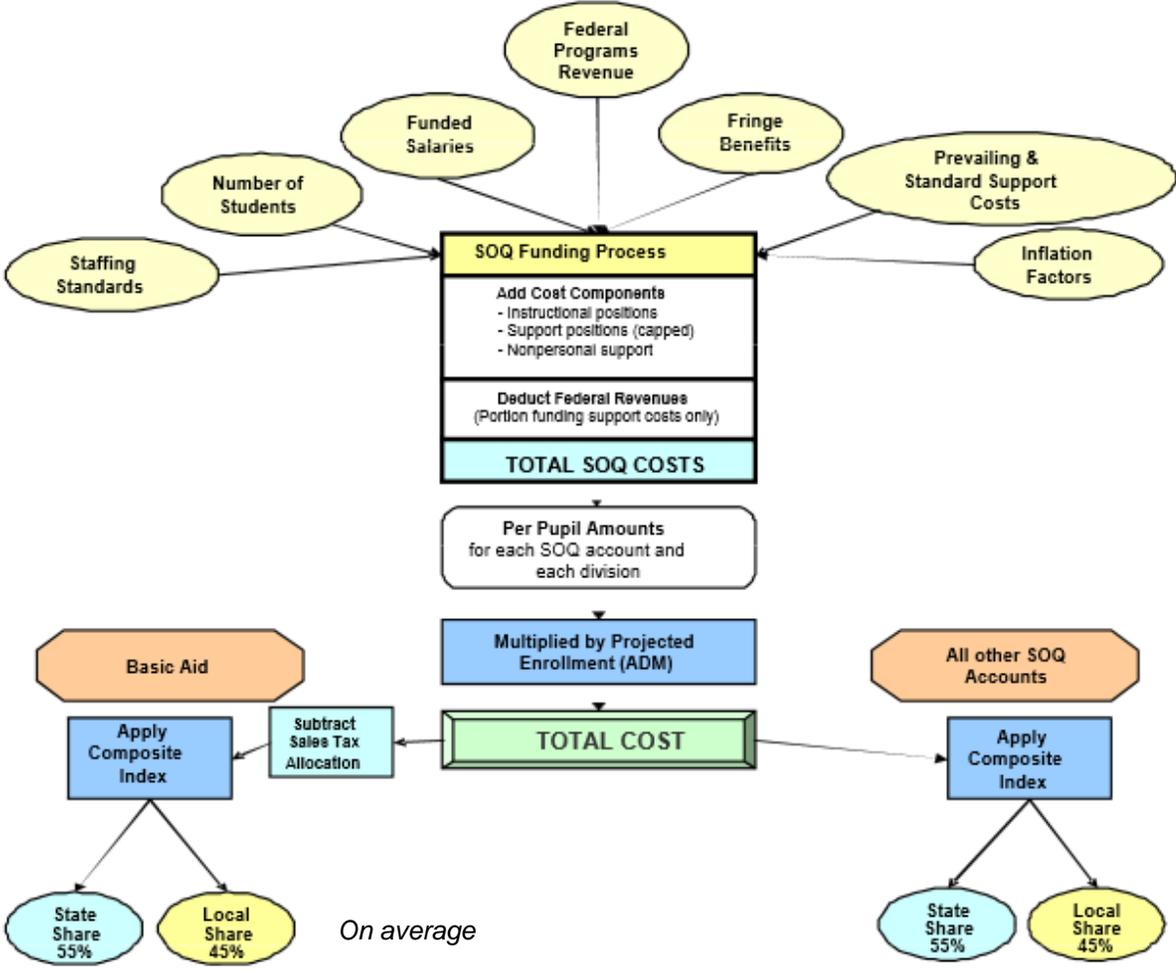
All Sources (State, Local and Federal), Per Pupil

	FY 2006	FY 2008	FY 2010	FY 2012
State	\$3,250	\$3,851	\$3,509	\$3,420
State Sales Tax	925	962	890	935
Local	4,890	5,508	5,423	5,549
Federal	<u>690</u>	<u>716</u>	<u>1,198</u>	<u>1,065</u>
Total	\$9,755	\$11,037	\$11,020	\$10,969



Proposed Actions for Direct Aid (\$ in Millions)	FY 2015	FY 2016	Total
Rebenchmarking (including retirement rates)	\$267.3	\$316.8	\$584.1
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	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	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 for Cost of Competing Adjustment	(10.2)	(10.5)	(20.7)
Estimate Non-Participation Savings for PreK	(24.2)	(24.3)	(48.5)
Eliminate Inflation Update for FY 2012 Spending	<u>(38.1)</u>	<u>(38.3)</u>	<u>(76.4)</u>
TOTAL	\$227.4	\$272.9	\$500.3

SOQ Funding Model



Rebenchmarking Updates (\$ in millions)	FY 2015	FY 2016	Total
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	39.4	39.8	79.2
Inflation Factors for Non-Personal Support	37.7	37.9	75.6
Lottery-Funded Programs	32.9	39.7	72.6
Health Care Premiums	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 and 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>
TOTAL	\$267.3	\$316.8	\$584.1

Retirement Contribution Rate Up 2.84% of Payroll; Funded at 80%, Per Statutory Phase-In Schedule

- 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 professional “teacher” rate to **14.50 percent for the employer contribution, up from 11.66 percent in Chapter 806.**
 - 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.
 - 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.

	FY 13-14	FY 15-16	FY 17-18	FY 19-20
Teachers VRS Employer Contribution Rate	69.5%	79.7%	89.9%	100.0%



Eliminate Non-personal Inflation Update

- Proposes saving \$38.1 million GF the first year and \$38.3 million GF the second year by eliminating (making permanent?) the update of the FY 2012 base year non-personal costs, including textbooks, pupil transportation, utilities, insurance, and health care premiums, up to the beginning of FY 2015.

	2014-16 Biennium
FY 2012 (“Base Year”)	Prevailing actual spending
FY 2013	<i>Inflation update eliminated</i>
FY 2014	<i>Inflation update eliminated</i>
FY 2015	No “prospective” inflation provided
FY 2016	No “prospective” inflation provided

- The introduced budget also reflects a reduction of \$55.0 million GF each year from the FY 2014 base budget contained in Chapter 806. Chapter 806 provided the funding to assist school divisions with any costs associated with inflation, retirement contribution rates, or any one-time costs associated with Virginia Preschool Initiative Programs.



Prevailing Salaries Decline Slightly from 2009-10 School Year to 2011-12 School Year

- 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.

Prevailing Salaries	2012-14 Biennium (2009-10 Actual)	2014-16 Biennium (2011-12 Actual)	Percent Change
Elementary			
Teachers	\$45,188	\$44,998	(0.3%)
Asst. Principals	63,824	63,868	0.1%
Principals	78,510	78,362	(0.2%)
Secondary			
Teachers	\$47,267	\$47,260	(0.0%)
Asst. Principals	67,824	67,626	(0.3%)
Principals	86,464	86,374	(0.1%)
Instructional Aids	\$16,223	\$16,315	0.6%



FY 2014 Compensation Supplement and Strategic Compensation Grants

- Despite the flexibility offered in the effective date, 14 school divisions did NOT provide the minimum salary increase in order to qualify for state matching funds:
 - Albemarle
 - Alleghany
 - Buchanan
 - Greene
 - Hanover
 - Henrico
 - Isle of Wight
 - Roanoke
 - Spotsylvania
 - Westmoreland
 - Alexandria
 - Charlottesville
 - Suffolk
 - Salem
- Thirteen school divisions applied for and were awarded Strategic Compensation Grants in FY 2014:
 - Amelia
 - Chesapeake
 - Cumberland
 - Dinwiddie
 - Fluvanna
 - Gloucester
 - Goochland
 - Harrisonburg
 - Lynchburg
 - Portsmouth
 - Roanoke City
 - Salem
 - Suffolk



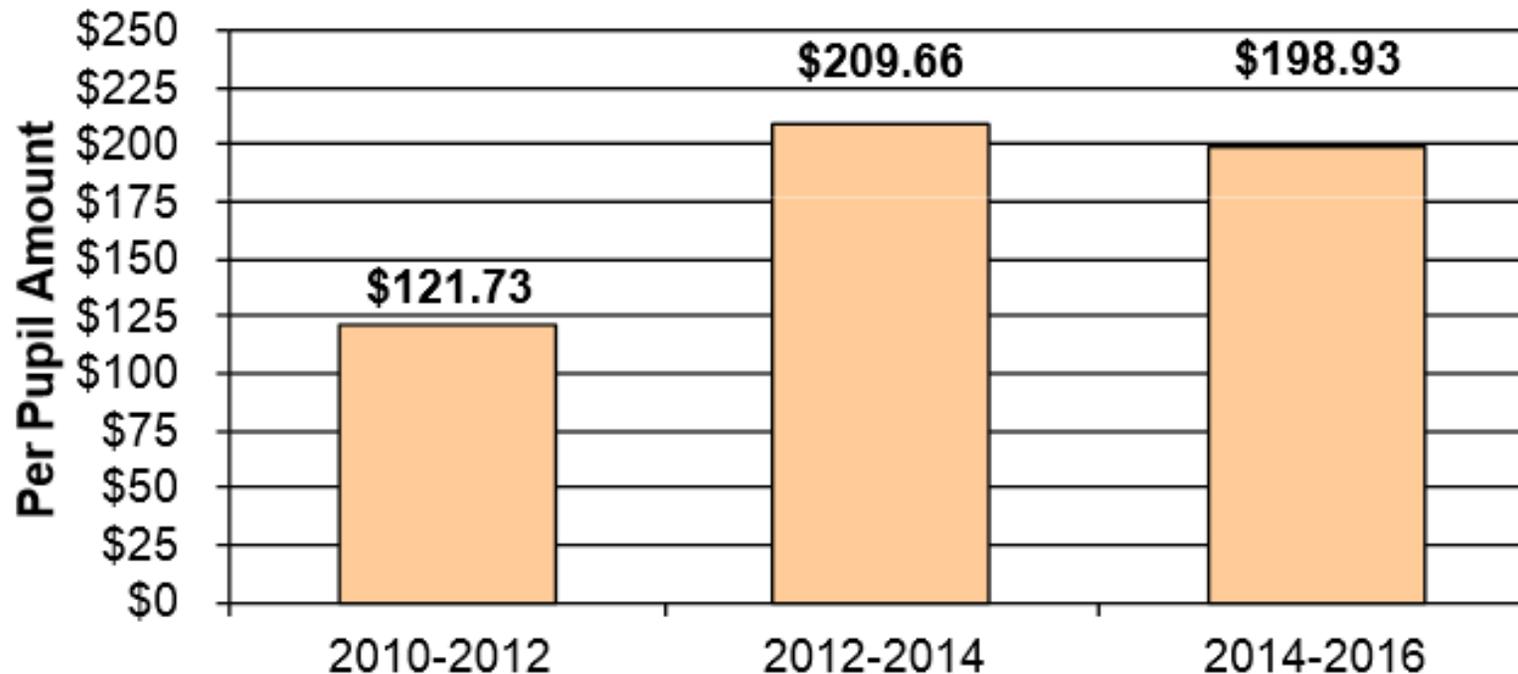
Composite Index Impacts Vary

- The elements used to calculate each school division's composite index of local ability-to-pay (LCI) are updated from 2009 to 2011, which is the most current available at the time the LCI updates are calculated.
 - Measures local wealth through true value of real property (50 percent), adjusted gross income (40 percent) and retail sales tax collection (10 percent); 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.



Federal Revenue Deduct Update Reflects Decrease in Federal Funding

Prevailing Statewide Average Federal Revenue Deduct
Per Pupil Amount Across Biennia

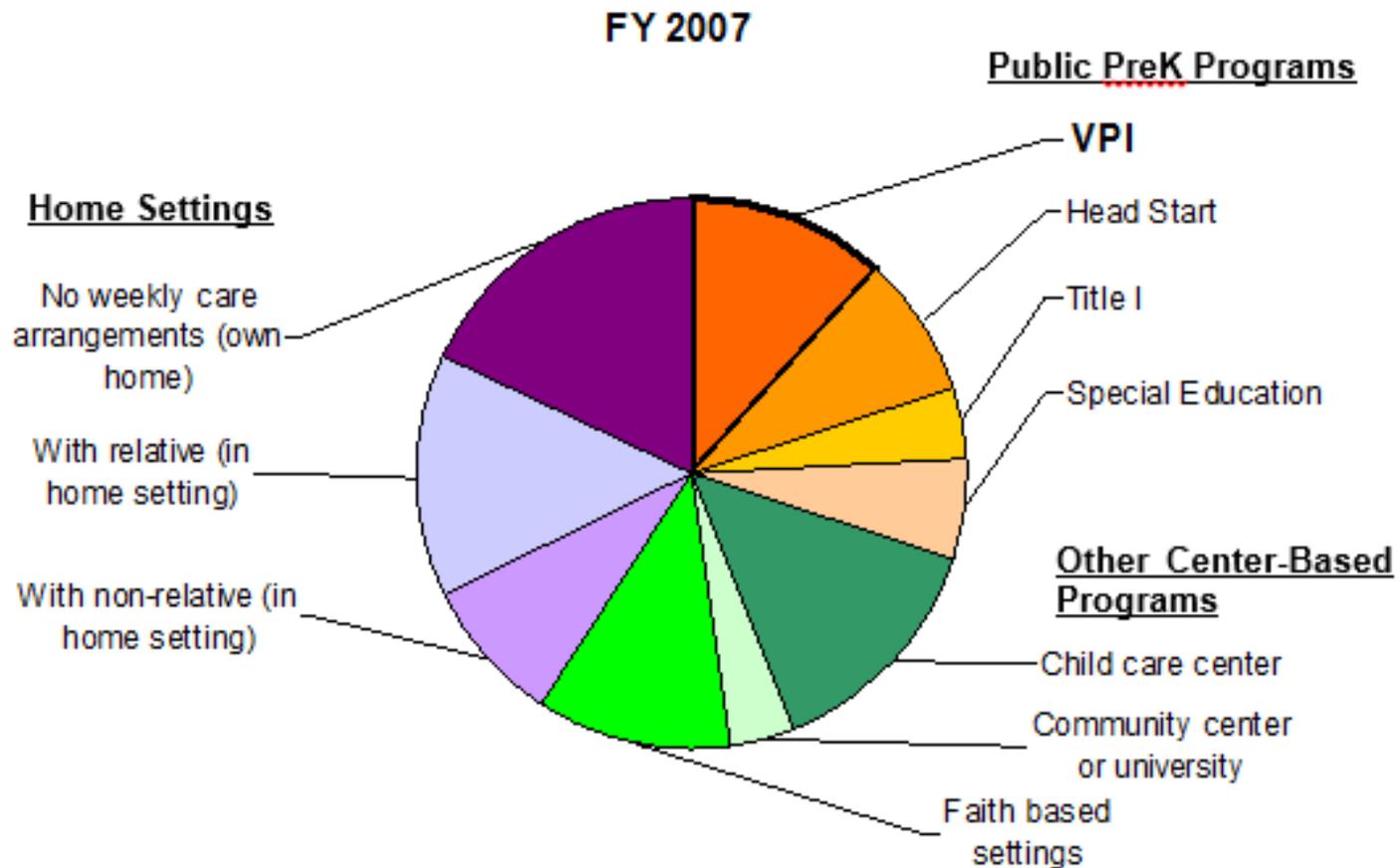


Virginia Preschool Initiative for At-Risk Four-Year-Olds

Current Funding Formula	Statewide FY 2014
1. The estimated number of four-year-olds (based on kindergarten enrollment)	96,575
2. That number is multiplied by the percent of students eligible for free lunch (as proxy for at-risk)	<u>39.6%</u>
	31,210
3. The number of four-year-olds served by Head Start is subtracted	<u>(7,833)</u>
4. Up to a maximum number of eligible slots,	23,403
the level of actual local participation (75.6%)	17,700
is multiplied by the per pupil dollar amount.	X \$6,000
5. Each locality's composite index is applied to determine the state share and the required local match	X on average about 55% state share (min. state share of 50%)
6. State share	\$67.4 million



VPI Serves Est. 1 in 8 Virginia Four-Year-Olds



Literary Fund

Without New Loans Repayments Decrease; New Programs

	FY 13	FY 14	FY 15	FY 16
<u>Revenue Sources</u>				
Fines, Fees, Forfeitures	\$71.8	\$70.1	\$70.5	\$70.7
Interest Less Fees	0.9	0.7	0.7	0.7
Unclaimed Property	75.0	75.0	74.0	74.0
Interest on UCP	0.8	0.8	0.8	0.8
Unclaimed Lottery Prizes	12.0	11.4	11.6	11.7
Loan Payments to the Literary Fund and Interest	48.5	25.9	26.0	25.3
VPSA Reserve	1.0	4.8	0.5	0.5
Total	\$210.0	\$188.5	\$184.1	\$183.7
<u>Expenditure Allocations</u>				
Teacher Retirement/Social Security (SOQ Basic Aid)	\$140.1	\$133.5	\$107.9	\$111.2
Technology Equipment & Backpack Debt Service	60.7	60.1	60.9	62.5
School Security Grants Debt Service	0.0	1.3	2.5	3.7
Interest Rate Subsidy	0.0	2.1	0.0	0.0
School Construction Loans	0.0	0.0	10.0	10.0
Total	\$200.8	\$197.0	\$181.3	\$187.4
Ending Balance	\$14.8	\$2.1	\$4.7	\$1.0



School Accreditation and Lower Student Pass Rates Under More Rigorous SOLs Impact Funding

State Status	School-Level Accreditation	2010-11	2011-12	2012-13
Fully Accredited	SOL pass rates of 75% for English (10), and 70% for Math (9), Science (6), and History/SS (10); plus graduation index for high schools	1,771	1,716	1,414
Provisionally Accredited	Due to graduation rate	27	6	3
Conditionally Accredited	New or reconstituted schools	9	12	11
Accredited with Warning	<u>Technical Assistance:</u>			
	Year 1: Trained contractor helps develop improvement plan	25	77	302
	Year 2: Additional assistance	3	20	72
	Year 3: Emphasis on division support to the school	2	2	19
Accreditation Denied	Year 4: MOU, emphasis on school leadership and teacher quality and external Lead Turnaround Partner if a federal “priority” school (i.e. lowest performing 5 percent of Title 1 schools)	3	4	6



Extending Learning Time and Alternatives Pool

- ***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.



Summary of Proposed Amendments

GF Changes for the 2014-16 Biennium		
	FY 2015	FY 2016
Sec. of Education – End College Partnership Lab Schools Grants	\$0.0	(\$600,000)
DOE – New Center for Excellence in Teaching at GMU	315,923	330,137
DOE – Academic Reviews	309,680	309,680
DOE – PBIS (Effective School-wide Discipline Training)	125,000	125,000
DOE – Phonological Awareness Literacy Screening (UVA)	104,752	89,652
OEI – New Agency Code	450,000	450,000
VA School for Deaf and Blind – Technical Adjustments Only	506,876	511,695



Governor's Schools Funding Study

- **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.
- **Current Funding Formula:** Based on student enrollment by division and the funded state per pupil amount (FY2014 \$4,369).
 - State allotment is adjusted by the division's composite index.
 - State allotment is further adjusted by the portion of the day the program is in operation, either half day, part-time (at 5/6), or full-day.
 - Local school divisions contribute funds based on the school's regional governing board policy. Each program is unique in its funding structure to meet local/regional needs.
 - Not specifically included in 2% teacher pay increase.



OEI State Takeover Board

- Proposes to set out as a stand-alone entity (previously funded under DOE) 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.
 - 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.



Overview of Other Education Agencies

- **Jamestown-Yorktown.** Adds \$802,584 GF for operating the larger facility in Yorktown; \$326,525 for planning 2019 commemorations; and \$109,554 security equipment. Saves \$122,000 GF based on operating efficiencies and reduced advertising. Reduces appropriation by \$1.7 million NGF and 20 FTE to reflect reduced visitation levels.
- **Virginia Museum of Fine Arts.** Reduces funding by \$172,282 GF for various actions; adds \$728,884 NGF and 19 FTE to convert part-time to full-time positions; and adds \$513,196 NGF to reflect both federal grant revenue and from food services and special events.
- **Science Museum of Virginia.** Adds \$444,794 GF and 2 FTE for statewide STEM-related instructional activities; \$100,000 GF and NGF for operation and content of the digital domes in Richmond and Danville; and authorizes the museum to accept the donation of the Rice House property.
- **Virginia Commission for the Arts.** Adds \$137,000 GF the first year for facility maintenance in Central Virginia.
- Technical amendments only proposed for:
 - **Library of Virginia, Frontier Culture, and Gunston Hall.**

