

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

---

## **Overview of Proposed Budgets for K-12 Education and Other Education**

**SB 900 (Amendments to 2016-18 Biennial Budget)**

**January 2017**



# **Chapter 780, 2016 Session**

## **Summary of Key Actions in Direct Aid**

---

(GF, \$ in millions)	FY 2017	FY 2018
Biennial Re-benchmarking	\$175.0	\$224.0
Lottery Per Pupil Amount – Flexible, 50% Non-recurring Uses	16.3	157.2
2% Teacher Salary Increase	49.0	85.3
Additional Instructional Positions	0.0	0.0
Advance VRS Employer Rates to 100% in FY 18	1.7	55.1
At-Risk Add-On: 1-13% Range	7.1	7.1
Support Cost of Competing Adjustment	17.0	17.4
Reduce Literary Fund Revenue for Retirement Costs	0.0	10.0
Net Other Actions	12.5	15.5



# Overview of Direct Aid to Public Education

---

- **Direct Aid to Education was exempted from the 5 percent and 7.5 percent reduction targets. However, due to technical updates and the use of additional NGF revenues, the proposed budget reflects a net decrease of \$162.8 GF in FY 2017 and \$110.4 million GF in FY 2018, compared to Chapter 780 (2016 budget).**
  - State's share of a second year 1.5 percent one-time bonus (based on SOQ funded teachers and support staff) in lieu a first year 2.0 percent compensation increase.
  - \$52.3 million NGF revenue from Lottery Proceeds and \$50.0 million NGF from the Literary Fund.
  - No change is proposed to the VRS rates adopted in Chapter 780, which increase from 14.66 percent in FY 2017 to 16.32 percent in FY 2018, which reflects 100 percent of the VRS Board certified rate.



# Overview of SB 900, As Introduced

## Direct Aid to Public Education

	FY 2017		FY 2018	
(\$ in millions)	GF	NGF	GF	NGF
<b><u>Total \$</u></b>				
<i>FY 2016, Ch. 665, 2015</i>	\$5,560.3	\$1,778.9		
2016-18 Current Budget (Ch. 780, 2016 Session)	5,838.9	1,617.0	6,131.9	1,586.7
Net Change in SB 900	(162.8)	73.6	(110.4)	31.8
SB 900, As Proposed	\$5,676.1	\$1,690.6	\$6,021.5	\$1,618.8
% Change	(2.8%)	4.6%	(1.8%)	2.0%
<b><u>\$ Per Pupil</u></b>				
SB 900, As Proposed	\$4,566	\$1,360	\$4,821	\$1,296



# Summary of Proposed Actions in Direct Aid to Education

(GF, \$ in millions)	FY 2017	FY 2018	Total
Technical Updates & Forecast Changes	(\$162.4)	(\$165.1)	<b>(\$327.5)</b>
State's Share of 1.5% Bonus December 1, 2017; No Required Match	0.0	55.5	<b>55.5</b>
Increase Teacher Residency Program	0.0	1.0	<b>1.0</b>
New Summer Cyber Camps	0.0	0.5	<b>0.5</b>
Remove Math & Science Pilot Initiative	(0.4)	(0.4)	<b>(0.8)</b>
Defer New Teacher Improvement Prog.	<u>0.0</u>	<u>(2.0)</u>	<b><u>(2.0)</u></b>
<b>TOTAL</b>	<b>(\$162.8)</b>	<b>(\$110.4)</b>	<b>(\$273.2)</b>



# Technical Updates and Forecast Changes

(GF, \$ in millions)	FY 2017	FY 2018
Reverse 2.0% Dec. 1, 2016 Salary Increase	(\$49.3)	(\$86.0)
Supplant GF for Additional Lottery NGF Revenue Reforecast	(47.1)	(5.3)
Increase NGF Unclaimed Property Transfer to Literary Fund	(25.0)	(25.0)
Update Net Sales Tax Revenue Reforecast	(15.5)	(24.5)
Update Student Enrollment Projections	(14.7)	(19.9)
Update for Participation in Remedial Summer School and ESL	(2.8)	(3.5)
Update GF for Changes in Lottery-Funded Programs	(4.9)	(0.2)
Supplant GF with DMV Revenues for Driver Education	(1.5)	(1.6)
Update National Board Certification Levels	(0.9)	(0.8)
Update Categorical and Incentive Programs	(0.7)	(0.1)
Update Governor's School Courses and SW Va. Gov. School	(0.1)	(0.1)
Correct Data Submission Error	0.1	0.0
Update Net Sales Tax Distribution from School Aged-Pop.	<u>0.0</u>	<u>1.9</u>
<b>Subtotal, Technical Updates and Forecast Changes</b>	<b>(\$162.4)</b>	<b>(\$165.1)</b>



# Lottery and Literary Fund Forecast

---

- **Lottery Proceeds.** Proposes adding \$47.1 million NGF in FY 2017 and \$5.3 million NGF in FY 2018, offset by a like amount decrease from the General Fund.
  - FY 2017 increase reflects 1) \$33.2 million from additional revenues collected in FY 2016, 2) \$8.6 million from cash on the balance sheet, and 3) \$5.3 million has been projected as additional Lottery revenues.
  - The amounts in the Supplemental Lottery Per Pupil Allocation, which was re-established in Chapter 780, would remain at \$36.6 million in FY 2017 and \$157.2 million in FY 2018.
- **Literary Fund.** Proposes \$25.0 million GF savings each year, which is offset by a like amount increase in NGF each year.
  - According to Treasury's November forecast, the transfers of unclaimed property balances (UCP) are projected to be \$142.0 million for FY 2017, \$154.0 million for FY 2018, then could drop for FY 2019 after the "catch-up period" for the stock liquidation policy adopted in FY 2015.



# Literary Fund Forecast

<b>Revisions to Literary Fund Sources and Uses</b>				
(\$ in millions)				
	Chapter 780		Department of Treasury Estimates	
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Revenue Sources:</b>				
Fines, Fees and Forfeitures	\$70.2	\$70.8	\$54.8	\$61.8
Interest Less Fees	0.8	0.8	0.4	0.9
Unclaimed Property	117.0	110.0	142.0	154.0
Interest on UCP	0.6	0.7	0.4	0.5
Unclaimed Lottery Prizes	10.0	10.5	7.8	8.7
School Division Loan Payments and Interest	20.2	19.2	21.2	20.7
VPSA Reserve	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>\$218.9</b>	<b>\$212.0</b>	<b>\$226.6</b>	<b>\$246.6</b>
<b>Expenditure Allocations:</b>			<b>HB1500/SB900</b>	
Teacher Retirement/Social Security	\$165.2	\$155.2	\$191.3	\$181.3
Technology Equip. & "Backpack" Debt Service	64.7	68.1	67.1	69.2
School Security Grants Debt Service	4.9	6.2	4.9	6.2
Interest Rate Subsidy	0.0	0.0	0.0	0.0
School Construction Loans*	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>\$234.8</b>	<b>\$229.5</b>	<b>\$263.3</b>	<b>\$256.7</b>
<i>*DOE has budget authority to issues loans from any available balances.</i>				





# Enrollment Projections

---

- Slower than projected growth in fall membership and March 31<sup>st</sup> average daily membership.
  - On a statewide basis, the revised ADM projections are 2,610 students lower the first year and 3,691 lower the second year, compared to the projections included in Chapter 780, for revised totals of 1,243,100 students the first year and 1,248,936 the second year.
  - Compared to the final FY 2016 count of 1,239,816 students, this represents an expected statewide increase in enrollment of 0.26 percent in FY 2017 and 0.47 percent increase in FY 2018.



# 1.5% Bonus, December 1, 2017

---

- **Reverse Funding for December 1, 2016, 2 Percent Salary Increase.** Proposes removing \$49.3 million GF in FY 2017 (as reflected in the October 2016 Governor's Budget Savings Plan) and \$86.0 million GF in FY 2018 that had been provided for the state's share of a 2 percent salary increase for funded instructional and support positions recognized by the Standards of Quality (SOQ), which would have been effective December 1, 2016.
  - Pursuant to Item 475 P.2., Chapter 780 of the 2016 Acts of Assembly, these amounts were to be unallotted if a revenue reforecast was required.
- **Funding for the State's Share of a 1.5 Percent Bonus.** Proposes adding \$55.3 million GF in FY 2018 based on the state's share of a one-time 1.5 percent bonus for instructional and support positions' base pay recognized by the Standards of Quality (SOQ) funding model and \$234,386 GF for the Academic Year Governor's Schools, on December 1, 2017.
  - There is no mention of certification to provide an employee bonus or any required local match in the language.



# Other Proposed Actions

---

- **Teacher Residency.** Proposes adding \$1.0 million GF in FY 2018 for additional funding to support (for a total of \$1.5 million in FY 2018) the effort of attracting, training, paying and retaining quality teachers in hard-to-staff schools. The funding is earmarked for partnerships between university teacher preparation programs and Petersburg, Norfolk and Richmond City school divisions.
- **Summer Cyber Camps.** Proposes adding \$480,000 GF in FY 2018 to fund the new summer cyber camps. These camps were funded in the summer of 2016 using funding from the Targeted Extended School Year grants program.
- **Governor's School for Entrepreneurial Leadership.** Proposes adding \$32,292 GF the second year to plan for a new summer Governor's School for Entrepreneurial Leadership.
- **Remove Math and Science Teacher Recruitment Initiative Pilot.** Proposes eliminating the program and the \$400,000 GF each year from the Math and Science Teacher Recruitment Initiative.
- **Reduces Teacher Improvement Compensation Initiative.** Proposes capturing \$2.0 million GF the second year from the new teacher improvement initiative appropriation for the first of five annual competitive grants to school divisions. Three \$5,000 planning grants had been awarded in FY 2017 to explore alternative teacher compensation approaches that move away from tenure-based step increases towards compensation systems based on teacher performance and student progress. A total of \$50,000 remains for additional planning grants to be awarded in FY 2018.



# Transfer Administration of Food Programs

---

- **Transfer Dept. of Health Food Programs to VDOE.** Proposes moving administration of federal food programs (Summer Food Service Program and the Child and Adult Care Food Program) from the DOH to VDOE, transferring \$57.7 million NGF and 20.0 FTE the second year.
  - During the 2016 Session, the introduced budget proposed transferring all related food programs in Direct Aid and the Health Department to the Virginia Department of Health, and Agriculture and Consumer Services (VDACS).
  - Further, the 2016 adopted budget, Chapter 780, directed DOE, VDACS and the Department of Health to develop a proposal to transfer the National School Breakfast and Lunch programs, Fresh Fruits and Vegetables, and Special Milk programs from the Direct Aid to Public Education budget and the Summer Food Service and the Child and Adult Care Food programs from the Health Department budget to VDACS. In addition, the three agencies were directed to submit a review plan to the Chairmen of House Appropriations and Senate Finance Committees and the Governor by November 15, 2016.



# Other K-12 Proposed Actions

---

- **Special Education Personnel Traineeship.** Proposes increasing the grant awards to \$600 with a minimum of three semester hours.
  - Proposes allowing full expenditure of the current Special Education Endorsement Program appropriation of \$600,000 GF each year by more accurately reflecting actual student workload and current higher education tuition rates. Proposed budget language would overriding the \$450 amount and six semester hour minimum is set out in current statute.
    - Recent unspent balances in this program under the current statutory requirements: FY 2016 \$162,814, FY 2015 \$60,926, and FY 2014 \$33,610.
- **Teach for America (TFA).** Proposes allowing unobligated balances in the TFA appropriation to be redirected to Teacher Residency.
  - Additional action strikes current language that permits fifty percent of any carry-forward balance to be spent by the Teacher Residency program.
- **Virginia School for the Deaf and Blind (VSDB)**
  - Proposed language in Capital Outlay requires VSDB to submit a formal plan to the Secretary of Education to address the school's declining enrollment and the current and future uses of Main Hall.
  - Transfers funds between programs.



# Project Graduation

---

- ***Project Graduation Distribution Funding Formula Change.*** Proposes changing the funding methodology from an application based to a formula-based allocation using the number of failures on SOL end-of-course assessments in a division and compares that figure to the statewide total number of failures. The amounts are adjusted based on the composite index. Although the budgeted allocation of \$2.7 million each year did not change from the current adopted budget amount, it is not known how the proposed formula change will impact future funding.
  - The Department of Education issued two State Superintendent memos (#133-16 and #202-16, dated May 27, 2016 and August 19, 2016, respectively) indicating that the formula has changed beginning FY 2017. Based on the distributions reflected in the Superintendent's memo and the introduced budget, 52 divisions will receive less funding, 69 divisions will receive more funding and the remaining 14 divisions will realize no change.



# Virginia Department of Education

## *Savings*

	FY 2017	FY 2018
Eliminate Four Positions and Change Funding Source for Two Positions	\$0	(\$649,164)
Principal and Teacher Training	(300,000)	(300,000)
IT Academy	(100,000)	(200,000)
Kindergarten Readiness Assessment	(100,000)	(100,000)
eMedia	(100,000)	(100,000)
Use Federal Funds for Dyslexia Training	(128,500)	0
School Performance Report Card	0	(150,000)
Teacher Evaluation Training	(34,625)	(34,625)



# Virginia Department of Education

## *Spending*

---

- ***Instructional Improvement System.*** Proposes adding \$1.6 million in FY 2018 to increase funding for Instructional Improvement System to support statewide access to DOE's Instructional Improvement System at no cost to local school divisions.
- ***Student Growth Model.*** Proposes adding \$500,000 GF in FY 2018 for a second year of funding to continue a pilot program that provides personalized instructional and academic planning for students, facilitates data-driven school improvement efforts, and supports the state's accountability and accreditation systems.
- ***Algebra Readiness Diagnostic Test.*** Proposes adding \$400,000 GF in FY 2018 to fund increased contract costs of the Algebra Readiness Diagnostic Test (ARDT), which will allow the state to continue offering a required algebra diagnostic test at no cost to localities.





# Summary:

## Other Education Agencies

---

- **5 Percent and 7.5 Percent Reductions.** Proposed amendments for Jamestown-Yorktown, Virginia Museum of Fine Arts Virginia Commission for the Arts, and Frontier Culture reflect 5 percent reductions in FY 2017 and 7.5 percent reductions in FY 2018.
- **Reduce 2019 Commemorations.** Proposes an additional reduction of \$5.4 million GF for 2019 Commemorations. (Chapter 780 had added \$3.6 million in FY 2017 and \$7.0 million in FY 2018 to help plan, develop, and leverage partnerships for the 2019 Commemorations.)
- **Library of Virginia.** Proposed reduction to Library of Virginia for FY 2017 was reduced by about one-third from the amount announced in October when 15 layoffs (out of 25 statewide) were anticipated.
  - Aid to Public Libraries was exempted from the target calculation and was not reduced in either year.
- **Gunston Hall** was exempted from the reductions.



# Other Education Agencies (Continued)

---

- **Jamestown-Yorktown Foundation**

- **October 2016 Governor's Savings Plan.** Proposes reducing the GF budget by 5 percent, or \$486,301, in FY 2017 by delaying museum technology and maintenance, delaying implementation of an interactive distance learning program, and reducing targeted trade and promotional initiatives.
- **7.5 Percent Reduction in FY 2018.** Saves \$349,225 GF the second year by eliminating funding for four positions and reducing printing services and one curatorial position and half an exhibit manager position; \$111,226 GF the second year by supplanting with nongeneral fund revenue; \$101,912 GF the second year by eliminating a support position and reducing the security services contract, \$72,211 GF the second year by reducing buildings and grounds maintenance, and \$34,780 GF the second year by reducing targeted promotional initiatives.

- **Jamestown-Yorktown Commemorations**

- **October 2016 Governor's Savings Plan.** Proposes reducing the GF budget by 5 percent, or \$193,442, by reducing programming and marketing initiatives and certain printed and electronic promotional brochures and materials.
- **7.5 Percent Reduction in FY 2018.** In the second year, proposes reducing \$154,754 GF by reducing tourism promotion to group tour market, \$118,000 GF by reducing marketing and communications support for partner programs and events, \$94,500 GF reducing grants to partner agencies, \$87,500 GF by reducing printed and electronic materials, \$52,973 GF by reducing the number of regional outreach events to promote statewide engagement, and \$38,688 by reducing the number of promotional brochures.
- **Additional Targeted Reduction of \$5.4 Million.** In addition to the percentage targets applied to most agencies, also reduces funding by \$175,000 GF in FY 2017 and \$5.2 million in FY 2018 for the 2019 Commemoration activities (Chapter 780 of the 2016 Acts of Assembly had added \$3.6 million in FY 2017 and \$7.0 million in FY 2018 to help plan, develop, and leverage partnerships for the 2019 Commemoration).



# Other Education Agencies (Continued)

---

- **Virginia Museum of Fine Arts**

- **October 2016 Governor’s Savings Plan.** Proposes reducing the GF budget by 5 percent, or \$497,556, in FY 2017 by reducing discretionary funds across all departments, reducing web development customizations, and utilizing in-house staffing for selected conservation projects.
- **7.5 Percent Reduction in FY 2018.** In the second year, reduces \$232,343 GF for discretionary and nonpersonal services across all departments, \$190,000 GF by reducing customization for web development and renegotiating the security contract, and \$50,000 by utilizing in-house staff for selected conservation projects. Also supplants \$274,075 GF with a reallocation of \$163,175 NGF for exhibition planning and production costs and \$110,900 NGF to support operations and conservation activities, from additional dedicated special revenue or more donor funding.
- **Plan 2020.** Reflects an additional \$3.4 million NGF to account for increased donations to support strategic planning initiatives in the museum’s strategic plan titled *Plan 2020*.
- **Entertainment Expenses.** Proposed amended language adding “entertainment expenses commonly borne by businesses” to existing language regarding a special revenue account fund detail code for donated funds and fundraising activities.

- **Virginia Commission for the Arts**

- **October 2016 Governor’s Savings Plan.** Proposes reducing the GF budget by 5 percent, or \$188,088, in FY 2017 by proportionately reducing final payments of arts grants, eliminating waitlist funds for touring arts groups, and eliminating funding for the artist fellowship in poetry.
- **7.5 Percent Reduction in FY 2018.** Saves \$278,396 GF the second year by reducing total funding for Financial Assistance to Cultural Organizations (with preference to performing arts) to \$2.9 million GF. Also supplants a portion of the reduction with \$95,000 NGF from the Virginia Arts Foundation Fund, which includes revenues transferred to the Fund from the special license plates for Virginians for the Arts program; voluntary contributions collected through the income tax check-off for the arts; and other gifts or contributions.



# Other Education Agencies (Continued)

---

- **Library of Virginia**
  - **October 2016 Governor’s Savings Plan (Revised).** Proposes reducing \$413,742 GF in FY 2017 (less than the \$663,171 5 percent reduction announced in October) by eliminating positions and delaying replacement of computers, printers and scanners. Aid to Public Libraries was exempted from the target calculation and was not reduced in either year.
  - **Continue Savings in FY 2018.** Proposes \$631,297 GF the second year by eliminating certain positions.
- **Science Museum of Virginia**
  - **October 2016 Governor’s Savings Plan.** Proposes reducing \$266,282 in FY 2017 by eliminating an unfilled deputy director position, reducing operating and maintenance expenses, reducing wage expenses, and reducing advertising.
  - **Continue Savings in FY 2018.** Saves \$133,282 GF the second year from reduced operating expenses in maintenance, wage, advertising, and eliminating a vacant position.
  - **Reduce Hampton Roads Partnership Pass-Through Funding.** Saves \$11,250 by reducing funding to \$138,750 for the STEM partnership between the Science Museum, the Virginia Air & Space Center, and the Virginia Living Museum.



# Other Education Agencies (Continued)

---

- **Frontier Culture Museum**

- **October 2016 Governor’s Savings Plan.** Proposes reducing the GF budget by 5 percent, or \$87,586, in FY 2017 by leaving one classified interpreter position unfilled and leaving open wage interpreter positions unfilled.
- **7.5 Percent Reduction in FY 2018.** Saves \$91,611 GF the second year by leaving open interpreter positions vacant (Chapter 780 had added new funding of \$150,000 GF each year for historical interpreters). Also saves \$39,796 GF the second year by supplanting with a like amount of nongeneral funds from raised general admission prices and institution of a new annual pass program at the beginning of FY 2017.

- **Gunston Hall**

- **Maintenance Reserve Allocation.** Proposes (in Item C-44) allowing Gunston Hall to use its maintenance reserve allocation to pave roads, paths, and parking lots, improve entrance accessibility, and improve the grounds. In addition, allows up to 20 percent of its annual maintenance reserve allocation (\$173,320 in FY 2018) to restore, repair or renew exhibits.

