

process and the new budgetary structure for Direct Aid effective for the 2006-2008 biennium. Attachment B shows the major input data used in re-benchmarking Direct Aid costs for the 2006-2008 biennium.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends that the Board waive first review and adopt this proposed budget that continues current Direct Aid programs in the 2006-2008 biennium re-benchmarked on standard technical revisions without proposed changes in funding policy. It is further recommended that staff be directed to update and revise costs as additional technical revisions are completed consistent with the current funding methodology and policy adopted by the Board.

Finally, it is recommended that the Department submit the re-benchmarked budget for Direct Aid accounts to the Governor together with the remaining policy changes to the SOQ that were adopted by the Board in June 2003. Those policy changes were re-estimated using the same data and assumptions used in the re-benchmarked Direct Aid budget. No other policy changes to the SOQ are recommended at this time.

Impact on Resources:

The 2006-2008 Direct Aid budget approved by the Board will be sent to the Governor for action and ultimately for inclusion in his budget for the 2006-2008 biennium. This budget will establish the level of state funding required by the foundation program established in the Standards of Quality (SOQ), as well as other Direct Aid accounts. The current proposed changes resulting from re-benchmarking the Direct Aid accounts would increase state costs for public education by approximately \$986.0 million in the 2006-2008 biennium (see Attachment C). The re-benchmarked cost of the unfunded SOQ changes proposed by the Board total \$191.5 million. Together, these re-benchmarked costs would increase Direct Aid funding by \$1.18 billion in the 2006-2008 biennium.

Timetable for Further Review/Action:

None.

An Overview of Direct Aid to Public Education Funding

I. New Service Area Structure

- Beginning in the 2006-2008 biennium, the commonwealth will use a new budgetary structure (i.e., “service areas”) for budgeting state Direct Aid to Public Education funds.
- The Department of Planning and Budget (DPB) worked with the Department of Education to match current budget programs/subprograms and planning activities to form a common service area structure. Consequently, the new Direct Aid to Public Education service areas are similar to the previously used structure for Direct Aid account budgeting.
- The new structure refines the grouping of individual accounts that have the same purpose and creates a single service area for federal fund appropriations.
- Service areas:
 - Are what agencies do for the citizen or for other agencies
 - Consist of allocations of resources toward a specific objective
 - Form the basic unit of both budgeting and of planning
- The new Direct Aid to Public Education service areas are:
 - Standards of Quality for Public Education (SOQ)
 - Financial Incentive Programs for Public Education
 - Financial Assistance for Categorical Programs
 - Financial Assistance for School Facilities
 - Financial Assistance for Supplemental Education
 - Federal Assistance to Local Education Programs
- The new service areas generally correlate with the existing budget structure; the service area structure further differentiates the school construction and lottery funds from the Group II - Incentive Accounts, where these funds were previously housed into a separate “Facilities” service area.
- Funding information will still be communicated to school divisions at the program account levels, which have not changed with the new budget structure.
- The rebenchmarking of Direct Aid to Public Education funds for the 2006-2008 biennium uses this new service area structure and information is presented using the service area structure.

- The new detailed service area information by individual account is as follows:

Changes in Direct Aid Budget Structure, 2004-2006 to 2006-2008		
Account Name	"New" – 2006-2008 Direct Aid Budget Structure (Service Area)	"Old" – 2004-2006 Direct Aid Budget Structure (Program/Subprogram & DOE Structures)
Basic Aid	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
English as a Second Language	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Gifted Education	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Group Life	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Prevention, Intervention & Remediation	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Remedial Summer School	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Sales Tax	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Social Security	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Special Education	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Textbooks	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Vocational Education	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
VRS Retirement	Standards of Quality for Public Education (SOQ)	Group 1 - SOQ
Lottery	Financial Assistance for School Facilities	Group 2 - Incentive Accounts
School Construction	Financial Assistance for School Facilities	Group 2 - Incentive Accounts
Alternative Education	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
At-Risk	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
At-Risk Four Year Olds	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Compensation Supplement	Financial Incentive Programs for Public Education	Group 1 - SOQ
Early Reading Intervention	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Enrollment Loss	Financial Incentive Programs for Public Education	Group 1 - SOQ
Governor's School	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
ISAEP	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Mentor Teacher Program	Financial Incentive Programs for Public Education	Group 4 - Direct Grants
Education for a Lifetime	Financial Incentive Programs for Public Education	Group 4 - Direct Grants
K-3 Class Size Reduction	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Project Graduation	Financial Incentive Programs for Public Education	Group 4 - Direct Grants
School Breakfast	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
SOL Algebra Readiness	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Special Ed Cat - Inservice	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
Special Ed Cat - Regional Tuition	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
Special Ed Cat - Voc Ed / Special Ed	Financial Incentive Programs for Public Education	Group 3 - Categorical Accounts
SOL Web Based Technology Initiative	Financial Incentive Programs for Public Education	Group 2 - Incentive Accounts
Adult Education	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Adult Literacy	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Electronic Classroom	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Foster Care	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Indian Children	Financial Assistance for Categorical Programs	Group 4 - Direct Grants

School Lunch	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Special Ed Cat - Homebound	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Special Ed Cat - State Operated Programs	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Special Ed Cat - Special Ed in Jails	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
Vocational Ed - Cat	Financial Assistance for Categorical Programs	Group 3 - Categorical Accounts
VPSA Notes (Debt Service Paid by Lit Fund)	Financial Assistance for Categorical Programs	Group 2 - Incentive Accounts
Career and Tech. Education Resource Ctr.	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Jobs for Virginia Graduates	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Project Discovery	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Small School Division Assistance	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Southside VA Reg. Technology Consortium	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Southwest Education Consortium	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
VA Career Education Foundation	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
William King Regional Arts Center	Financial Assistance for Supplemental Education	Group 4 - Direct Grants
Wolftrap	Financial Assistance for Supplemental Education	Group 4 - Direct Grants

II. Rebenchmarking Information

- All of the Direct Aid accounts have been updated for the following data inputs that impact funding levels. These data inputs include:
 - Funded salary amounts
 - Average daily membership projections
 - Fall membership
 - Base-year expenditure data from the Annual School Report
 - Vocational education student and program counts
 - Special education child counts
 - Standardized test score data and free lunch eligibility for remedial education
 - Updates to division superintendent, school board, nurse, and transportation costs
 - Enrollment projections for remedial summer school and ESL programs
 - Prevailing textbook costs
 - Prevailing health care costs
 - Inflation factors
- The following data inputs will need to be updated; however, data needed to make the appropriate revisions are not available at this time:
 - Revised composite index for the 2006-2008 biennium
 - Lottery and sales tax projections
 - Revised fringe benefit rates from VRS
 - Triennial census information
 - Final enrollment projections

- All of these updates are technical in nature and they do not involve changes in policy or funding methodology, other than those already approved and directed by General Assembly action.
- Attachments B and C contain specific information related to the rebenchmarking updates made to Direct Aid accounts.

III. Standards of Quality for Public Education

- The Standards of Quality determine the majority of state Direct Aid funding. Total state funding will be more than \$5.0 billion in FY 2007 and \$5.1 billion in FY 2008. SOQ accounts represent approximately 89 percent of total state funding for public education annually.
- The Constitution of Virginia establishes the SOQ. The specific requirements of the SOQ are prescribed in statute. Funding for the SOQ is determined primarily by the instructional staffing ratios established in the SOQ as well as recognized support costs that are funded on a standard and prevailing cost basis.
- The Constitution states that the Board of Education shall prescribe the standards, "subject to revision only by the General Assembly."
- There are seven key components of the SOQ funding formula:
 1. Number of students
 2. Staffing ratios for teachers and other funded positions
 3. Salaries of teachers and other funded positions
 4. Fringe benefit rates
 5. Standard and prevailing support costs
 6. Inflation factors
 7. Prevailing federal revenues related to support costs
- The SOQ budget includes funding for all of the programs required by the SOQ. Attachment F illustrates the SOQ funding process.
- Localities must provide a local match for SOQ programs based on their individual composite index of local ability-to-pay. Attachment G illustrates the formula for the composite index of local ability-to-pay.
- SOQ accounts include:
 - Basic Aid
 - English as a Second Language
 - Gifted Education
 - Prevention, Intervention and Remediation
 - Remedial Summer School
 - Special Education

- Textbooks
 - Vocational Education
 - Fringe Benefits (Instructional Positions)
 - Sales Tax
- The SOQ accounts that provide funding for instructional services represent the instructional costs for those programs based on the required number of instructional positions and the salaries that are funded.
 - Basic Aid also includes the support costs for expenses such as pupil transportation, operations and maintenance, and administration; these costs are funded on a statewide prevailing cost basis.
 - Once a total cost is determined for each account, the cost is then converted to a per pupil amount. The per pupil amounts are then multiplied by the average daily membership (ADM) for each school division. From this, the total cost for each SOQ account is determined.
 - For Basic Aid, the total cost is first reduced by the amount of sales tax that will be distributed to each school division. Attachment H provides additional information on the effect of sales tax distribution on Basic Aid.
 - The remaining amount for Basic Aid and the total amount for the other SOQ accounts are then split into state and local shares based on each locality's composite index of local ability-to-pay.
 - Approximately 80 percent of SOQ funding is for salaries and benefits of public school employees. The funded salaries for SOQ instructional positions for the 2006-2008 biennium are shown in Attachment E.

IV. Incentive, Categorical, School Facilities, Supplemental Education

- Incentive, categorical, school facilities, and supplemental education funding makes up the balance of state spending for Direct Aid.
- Incentive-based programs represent approximately \$323 million in FY 2007 and \$329 million in FY 2008; this represents approximately six percent of total state funding for Direct Aid.
- Incentive-based programs provide additional education funding that goes beyond the levels required to meet the Standards of Quality.
- Incentive-based programs are voluntary programs, but in order to receive the state funds, school divisions must agree to meet additional requirements, such as:
 - Certifying they will offer the specific program
 - Meeting the requirements established for the program
 - Providing a local match of funds

- Many of the funding formulas for these programs use a poverty adjustment that is based on free lunch eligibility rates as a proxy for students at-risk.
- Incentive-based programs include:
 - Alternative Education
 - At-Risk
 - At-Risk Four-Year Olds
 - Compensation Supplement
 - Early Reading Intervention
 - Enrollment Loss
 - Governor's School
 - ISAEP
 - Mentor Teacher Program
 - K-3 Class Size Reduction
 - School Breakfast
 - SOL Algebra Readiness
 - Special Education – Inservice
 - Special Education – Regional Tuition
 - Special Education – Vocational Education
 - SOL Web Based Technology Initiative
 - Education for a Lifetime
 - Project Graduation
- Categorical programs represent approximately \$72 million in FY 2007 and \$75 million in FY 2008; this represents approximately one percent of total state funding for Direct Aid.
- Categorical funding provides for additional education programs that go beyond the Standards of Quality.
- State or federal statutes or federal regulation mandates much of this funding. These programs are usually targeted to the particular needs of specific populations.
- Categorical programs include:
 - Adult Education
 - Adult Literacy
 - Electronic Classroom
 - Foster Care
 - Indian Children
 - School Lunch
 - Special Education - Homebound
 - Special Education – State Operated Programs
 - Special Education - Jails
 - Vocational Ed - Categorical

- Under the new service area budget structure, the “school facilities” service area now includes two accounts that were previously budgeted as incentive accounts:
 - Lottery funds
 - School Construction Grants Program

- School facilities programs represent approximately \$191 million annually; this represents three percent of total state Direct Aid funding. The revenue estimates for Lottery for 2006-2008 will be available in Fall 2005; the amount for Lottery shown in Attachment D represents the current FY 2006 Lottery revenue estimate.

- Supplemental education programs represent approximately \$2.5 million annually. Supplemental education programs are not available to school divisions statewide, and serve a unique purpose as stated in the appropriation act.

- Supplemental education programs include:
 - Career and Technical Education Resource Center
 - Jobs for Virginia Graduates
 - Project Discovery
 - Small School Division Assistance
 - Southside Virginia Regional Technology Consortium
 - Southwest Education Consortium
 - Virginia Career Education Foundation
 - William King Regional Arts Center
 - Wolftrap Institute for Early Learning

Virginia Department of Education
 2006-2008 Direct Aid to Public Education Base Budget
Updates to the SOQ Model Data Base for 2006-2008
Overview of Major Data Elements Used in Calculations

	FY 2006	2006-2008
A. Student Enrollment Data		
Fall Membership	2002-2003	2004-2005
Special Education Child Count	December 1, 2002	December 1, 2004
Vocational Education Child Count	2002-2003	2004-2005
Prevention, Intervention and Remediation (SOL English & Math Test Scores)	2000, 2001, 2002	Three-year average (2001-02; 2002-03; 2003-04)
Prevention, Intervention and Remediation (Free Lunch Eligibility Data)	October 2002	Three-year average (October 2002, October 2003, October 2004)
B. Expenditure Data	2001-2002 Annual School Report	2003-2004 Annual School Report
C. Fringe Benefit Rates		
Instructional VRS Retirement	7.17%	7.17% - To be updated Fall 2005
Non-instructional VRS Retirement	4.94%	4.94% - To be updated Fall 2005
Social Security/Medicare	7.65%	7.65%
Group Life Insurance	0.00%	0.00% - To be updated Fall 2005
Health Care Premium (Funded with Inflation)	\$3,269	\$4,301
D. Composite Index (Base-Year Data)	2001	2003
E. Non-Personal Support Inflation Factors (Unweighted average)	4.66%	7.30%
F. Textbooks (Funded Per Pupil Amount with Inflation)	\$63.12	\$101.81
G. Average Daily Membership Projections (Original)	1,187,813 (FY 2006)	1,200,947 (FY 2007), 1,214,410 (FY 2008)

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget
Factors Affecting Additional State Funds Required for the 2006-2008 Biennium
Incremental State Cost from Base-Year FY 2006 to FY 2007 and FY 2008

Rebenchmarking Step	FY 2006 to FY 2007 Increment	FY 2006 to FY 2008 Increment	Total 2006-2008 Increment
1. Remove Compensation Supplement and 13 month fringe benefit rollover from FY 2006 base cost	(\$75,101,717)	(\$75,101,717)	(\$150,203,434)
2. Reset Support Inflation Factors to 0% <i>(This action better isolates the cost of updating base-year expenditures to FY 2004 in Step 4 and the cost of updating inflation factors to 2006-2008 in Step 13.)</i>	(\$66,908,257)	(\$66,908,257)	(\$133,816,514)
3. Update Average Daily Membership Projections	\$50,640,828	\$88,378,924	\$139,019,752
4. Update Base-Year Expenditures, Enrollment and Cost Projections <i>(FY04 Instructional/Support Expenditures, FY05 School-level Enrollment, Project Costs Forward to FY07 and FY08; update federal revenue deduction amounts)</i>	\$117,778,140	\$117,049,747	\$234,827,887
5. Update Transportation Costs	\$61,960,686	\$61,980,003	\$123,940,689
6. Update Nurse, Division Superintendent & School Board Costs	\$4,499,208	\$4,493,766	\$8,992,974
7. Update Special, Vocational, and English as a Second Language Child Counts	(\$16,080,619)	(\$10,952,083)	(\$27,032,702)
8. Update SOQ Remediation Test Score and Free Lunch Eligibility Data	\$10,882,069	\$10,392,241	\$21,274,310
9. Update Funded Instructional Salaries	\$127,245,336	\$128,506,858	\$255,752,194
10. Update Health Care Cost	\$68,554,055	\$69,245,929	\$137,799,984
11. Update Textbook Per Pupil Amount	\$23,010,774	\$23,224,777	\$46,235,551
12. Update Remedial Summer School Projections	\$3,191,498	\$5,370,117	\$8,561,615
13. Update Inflation Factors to 2006-2008	\$110,715,204	\$111,758,293	\$222,473,497
14. Update Incentive Accounts	\$16,603,403	\$23,455,363	\$40,058,766
15. Update Categorical Accounts	\$5,154,335	\$8,179,881	\$13,334,215
16. Update K-3 Class Size Reduction Program	\$14,749,432	\$14,829,552	\$29,578,984
18. Update Appropriations to Fully Fund DOE Calculated FY 2006 Cost ¹	\$7,577,295	\$7,577,295	\$15,154,590
SUBTOTAL - Rebenchmarking Increments + Updated FY 2006 Appropriations	\$464,471,670	\$521,480,689	\$985,952,359

¹ This value is the additional appropriation that is needed to fully fund the Department of Education's calculated state cost. The majority of this requested additional appropriation is to fully fund the cost of the At Risk Four Year Old program in FY 2007 and FY 2008. In FY 2006, the appropriated cost for the At Risk Four Year Old program assumed a \$6.5 million cost savings for non-participation in the program. The values shown here represent the added cost of assuming full participation in the At Risk Four Year Old program in FY 2007 and FY 2008. The remainder of the additional appropriations fully fund the FY 2006 base cost across other accounts.

Virginia Department of Education 2006-2008 Direct Aid to Public Education Base Budget Factors Affecting Additional State Funds Required for the 2006-2008 Biennium <i>Incremental State Cost from Base-Year FY 2006 to FY 2007 and FY 2008</i>			
Rebenchmarking Step	FY 2006 to FY 2007 Increment	FY 2006 to FY 2008 Increment	Total 2006-2008 Increment
19. BOE Recommendation - Elementary Principal <i>(Increase to one full-time position in every elementary school)</i>	\$6,672,326	\$6,709,205	\$13,381,531
20. BOE Recommendation - Assistant Principal <i>(One full-time assistant principal per 400 students in grades K-12)</i>	\$48,822,814	\$49,409,291	\$98,232,105
21. BOE Recommendation - Reading Specialist <i>(One position per 1,000 students in grades K-12)</i>	\$36,250,743	\$36,513,323	\$72,764,066
22. BOE Recommendation - Speech Language Pathologist Caseload <i>(Reduce caseload from 68 to 60 students)</i>	\$3,491,814	\$3,584,718	\$7,076,532
SUBTOTAL - BOE Recommendations	\$95,237,697	\$96,216,537	\$191,454,234
TOTAL:	\$559,709,367	\$617,697,226	\$1,177,406,593

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget

Updates to Direct Aid Accounts for 2006-2008

Includes updates for Funded Salaries, Average Daily Membership, Base-year Expenditure Data, Fall Membership, Vocational Education Student and Program Counts, Special Education Child Counts, and SOL Test Score Data, Incentive and Categorical Account Information

Service Area I							
SOQ Accounts	FY 2006 Base State Cost	FY 2007 Updated State Cost	Variance	FY 2006 Base State Cost	FY 2008 Updated State Cost	Variance	2006-2008 Biennium Variance
Basic Aid	\$2,574,201,392	\$2,984,391,306	\$410,189,914	\$2,574,201,392	\$3,017,720,456	\$443,519,064	\$853,708,978
Sales Tax	\$1,091,031,692	\$1,091,031,692	\$0	\$1,091,031,692	\$1,091,031,692	\$0	\$0
Textbooks	\$42,083,311	\$68,420,762	\$26,337,451	\$42,083,311	\$69,057,080	\$26,973,769	\$53,311,220
Vocational Education	\$54,947,437	\$60,573,900	\$5,626,463	\$54,947,437	\$60,984,768	\$6,037,331	\$11,663,794
Gifted Education	\$26,035,512	\$27,736,452	\$1,700,940	\$26,035,512	\$27,995,356	\$1,959,844	\$3,660,784
Special Education	\$342,529,983	\$338,401,365	(\$4,128,618)	\$342,529,983	\$340,968,763	(\$1,561,220)	(\$5,689,838)
Prevention, Intervention and Remediation	\$63,372,640	\$61,630,110	(\$1,742,530)	\$63,372,640	\$61,676,497	(\$1,696,143)	(\$3,438,673)
VRS Retirement	\$139,000,765	\$148,728,056	\$9,727,291	\$139,000,765	\$150,043,578	\$11,042,813	\$20,770,104
Social Security	\$149,219,804	\$158,614,957	\$9,395,153	\$149,219,804	\$159,970,622	\$10,750,818	\$20,145,971
Group Life	\$0	\$0	\$0	\$0	\$0	\$0	\$0
English as a Second Language	\$26,452,794	\$32,020,752	\$5,567,958	\$26,452,794	\$37,231,053	\$10,778,259	\$16,346,217
Remedial Summer School	\$24,928,647	\$28,120,145	\$3,191,498	\$24,928,647	\$30,298,764	\$5,370,117	\$8,561,615
Group I SUB-TOTAL:	\$4,533,803,977	\$4,999,669,497	\$465,865,520	\$4,533,803,977	\$5,046,978,629	\$513,174,652	\$979,040,172
Service Area II							
School Facilities	FY 2006 Base State Cost	FY 2007 Updated State Cost	Variance	FY 2006 Base State Cost	FY 2008 Updated State Cost	Variance	2006-2008 Biennium Variance
Lottery	\$163,507,784	\$163,507,784	\$0	\$163,507,784	\$163,507,784	\$0	\$0
School Construction	\$27,499,997	\$27,499,994	(\$3)	\$27,499,997	\$27,499,999	\$2	(\$1)
Group II SUB-TOTAL:	\$191,007,781	\$191,007,778	(\$3)	\$191,007,781	\$191,007,783	\$2	(\$1)

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget

Updates to Direct Aid Accounts for 2006-2008

Includes updates for Funded Salaries, Average Daily Membership, Base-year Expenditure Data, Fall Membership, Vocational Education Student and Program Counts, Special Education Child Counts, and SOL Test Score Data, Incentive and Categorical Account Information

Service Area III							
Incentive Accounts	FY 2006 Base State Cost	FY 2007 Updated State Cost	Variance	FY 2006 Base State Cost	FY 2008 Updated State Cost	Variance	2006-2008 Biennium Variance
Alternative Education	\$5,563,652	\$5,679,541	\$115,889	\$5,563,652	\$5,680,381	\$116,729	\$232,618
At-Risk	\$55,164,128	\$63,027,137	\$7,863,009	\$55,164,128	\$62,896,264	\$7,732,136	\$15,595,145
At-Risk Four Year Olds	\$46,639,520	\$58,718,707	\$12,079,187	\$46,639,520	\$59,264,149	\$12,624,629	\$24,703,816
Compensation Supplements	\$51,889,333	\$0	(\$51,889,333)	\$51,889,333	\$0	(\$51,889,333)	(\$103,778,666)
Early Reading Intervention	\$11,082,541	\$11,730,541	\$648,000	\$11,082,541	\$11,855,602	\$773,061	\$1,421,061
Enrollment Loss	\$7,419,950	\$8,088,919	\$668,969	\$7,419,950	\$7,861,206	\$441,256	\$1,110,225
Governor's School	\$9,992,256	\$10,982,441	\$990,185	\$9,992,256	\$11,317,426	\$1,325,170	\$2,315,355
ISAEP	\$2,248,346	\$2,247,581	(\$765)	\$2,248,346	\$2,247,581	(\$765)	(\$1,530)
Mentor Teacher Program	\$1,475,000	\$1,475,000	\$0	\$1,475,000	\$1,475,000	\$0	\$0
Education for a Lifetime	\$6,593,854	\$6,593,854	\$0	\$6,593,854	\$6,593,854	\$0	\$0
K-3 Class Size Reduction	\$66,232,129	\$81,443,828	\$15,211,699	\$66,232,129	\$81,523,948	\$15,291,819	\$30,503,518
Project Graduation	\$2,774,478	\$2,774,478	\$0	\$2,774,478	\$2,774,478	\$0	\$0
School Breakfast Program	\$1,172,020	\$1,172,020	(\$0)	\$1,172,020	\$1,172,020	(\$0)	(\$1)
SOL Algebra Readiness	\$7,449,908	\$8,556,311	\$1,106,403	\$7,449,908	\$8,576,309	\$1,126,401	\$2,232,804
Special Education - Inservice	\$600,000	\$600,000	\$0	\$600,000	\$600,000	\$0	\$0
Special Education - Regional Tuition	\$52,550,159	\$59,208,735	\$6,658,576	\$52,550,159	\$65,135,211	\$12,585,052	\$19,243,628
Special Education - Voc Ed	\$200,089	\$200,089	\$0	\$200,089	\$200,089	\$0	\$0
SOL Web Based Technology Initiative <i>(dist. of NGF VPSA note proceeds)</i>	\$58,702,000	\$58,988,000	\$286,000	\$58,702,000	\$59,300,000	\$598,000	\$884,000
Group III SUB-TOTAL:	\$329,047,363	\$322,499,182	(\$6,548,181)	\$329,047,363	\$329,173,518	\$126,155	(\$6,422,027)

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget

Updates to Direct Aid Accounts for 2006-2008

Includes updates for Funded Salaries, Average Daily Membership, Base-year Expenditure Data, Fall Membership, Vocational Education Student and Program Counts, Special Education Child Counts, and SOL Test Score Data, Incentive and Categorical Account Information

Service Area IV							
Categorical Accounts	FY 2006 Base State Cost	FY 2007 Updated State Cost	Variance	FY 2006 Base State Cost	FY 2008 Updated State Cost	Variance	2006-2008 Biennium Variance
Adult Education	\$1,051,800	\$1,051,800	\$0	\$1,051,800	\$1,051,800	\$0	\$0
Adult Literacy	\$2,580,000	\$2,580,000	\$0	\$2,580,000	\$2,580,000	\$0	\$0
Electronic Classroom	\$2,256,908	\$2,256,908	\$0	\$2,256,908	\$2,256,908	\$0	\$0
Foster Care	\$10,259,191	\$11,109,888	\$850,697	\$10,259,191	\$12,047,112	\$1,787,921	\$2,638,618
Indian Children	\$53,805	\$53,805	\$0	\$53,805	\$53,805	\$0	\$0
School Nutrition	\$5,801,932	\$5,801,932	\$0	\$5,801,932	\$5,801,932	\$0	\$0
Special Education - Homebound	\$5,468,733	\$6,445,147	\$976,414	\$5,468,733	\$7,078,860	\$1,610,127	\$2,586,541
Special Education - Jails	\$2,784,950	\$2,868,499	\$83,549	\$2,784,950	\$2,954,553	\$169,603	\$253,152
Special Education - State Operated Programs	\$26,350,276	\$29,593,951	\$3,243,675	\$26,350,276	\$30,962,505	\$4,612,229	\$7,855,903
Vocational Education - Categorical	\$10,100,829	\$10,100,829	\$0	\$10,100,829	\$10,100,829	\$0	\$0
Debt Service on VPSA Equipment Notes (NGF)	\$62,079,725	\$66,549,968	\$4,470,243	\$62,079,725	\$66,895,905	\$4,816,180	\$9,286,423
Group IV SUB-TOTAL:	\$66,708,424	\$71,862,758	\$5,154,334	\$66,708,424	\$74,888,304	\$8,179,880	\$13,334,214

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget

Updates to Direct Aid Accounts for 2006-2008

Includes updates for Funded Salaries, Average Daily Membership, Base-year Expenditure Data, Fall Membership, Vocational Education Student and Program Counts, Special Education Child Counts, and SOL Test Score Data, Incentive and Categorical Account Information

Total - SOQ	\$4,533,803,977	\$4,999,669,497	\$465,865,520	\$4,533,803,977	\$5,046,978,629	\$513,174,652	\$979,040,172
Total - School Facilities	\$191,007,781	\$191,007,778	(\$3)	\$191,007,781	\$191,007,783	\$2	(\$1)
Total - Incentive	\$329,047,363	\$322,499,182	(\$6,548,181)	\$329,047,363	\$329,173,518	\$126,155	(\$6,422,027)
Total - Categorical	\$66,708,424	\$71,862,758	\$5,154,334	\$66,708,424	\$74,888,304	\$8,179,880	\$13,334,214
TOTAL COST* <i>(Service Areas I, II, III & IV):</i>	\$5,120,567,545	\$5,585,039,215	\$464,471,670	\$5,120,567,545	\$5,642,048,234	\$521,480,689	\$985,952,359

* Total amounts for FY 2007 and FY 2008, and the biennium total does not include the cost of the four proposed Board of Education SOQ changes, or the SOL Web Based Technology Initiative and VPSA Debt Service amounts.

Virginia Department of Education
2006-2008 Direct Aid to Public Education Base Budget

Updates to the SOQ Model Data Base for 2006-2008

*Comparison of Prevailing and Funded Salaries for Standards of Quality (SOQ) Instructional Positions
2004-2006 and 2006-2008 Biennia*

	2004-2006 Prevailing Salary ¹ (FY 2002 Data)	2006-2008 Prevailing Salary ² (FY 2004 Data)	Percent Increase	2004-2006 Funded Salary ³ (Prevailing salary increased by 2.25%)	2006-2008 Funded Salary ⁴ (Prevailing salary increased by 3.00%)	Percent Increase	2004-2006 Funded Salary with COCA ⁵ (Includes cost of competing adjustment of 9.83%)	2006-2008 Funded Salary with COCA ⁵ (Includes cost of competing adjustment of 9.83%)	Percent Increase
Elementary Teacher	\$36,708	\$38,525	4.9%	\$37,534	\$39,681	5.7%	\$41,224	\$43,582	5.7%
Elementary Assistant Principal	\$51,390	\$54,201	5.5%	\$52,546	\$55,827	6.2%	\$57,711	\$61,315	6.2%
Elementary Principal	\$63,141	\$66,817	5.8%	\$64,562	\$68,822	6.6%	\$70,908	\$75,587	6.6%
Secondary Teacher	\$38,769	\$40,403	4.2%	\$39,641	\$41,615	5.0%	\$43,538	\$45,706	5.0%
Secondary Assistant Principal	\$56,103	\$58,043	3.5%	\$57,365	\$59,784	4.2%	\$63,004	\$65,661	4.2%
Secondary Principal	\$69,384	\$73,076	5.3%	\$70,945	\$75,268	6.1%	\$77,919	\$82,667	6.1%
Instructional Aide	\$12,520	\$13,426	7.2%	\$12,802	\$13,828	8.0%	\$14,060	\$15,187	8.0%

¹ Linear weighted average salaries based on FY 2002 base-year data.

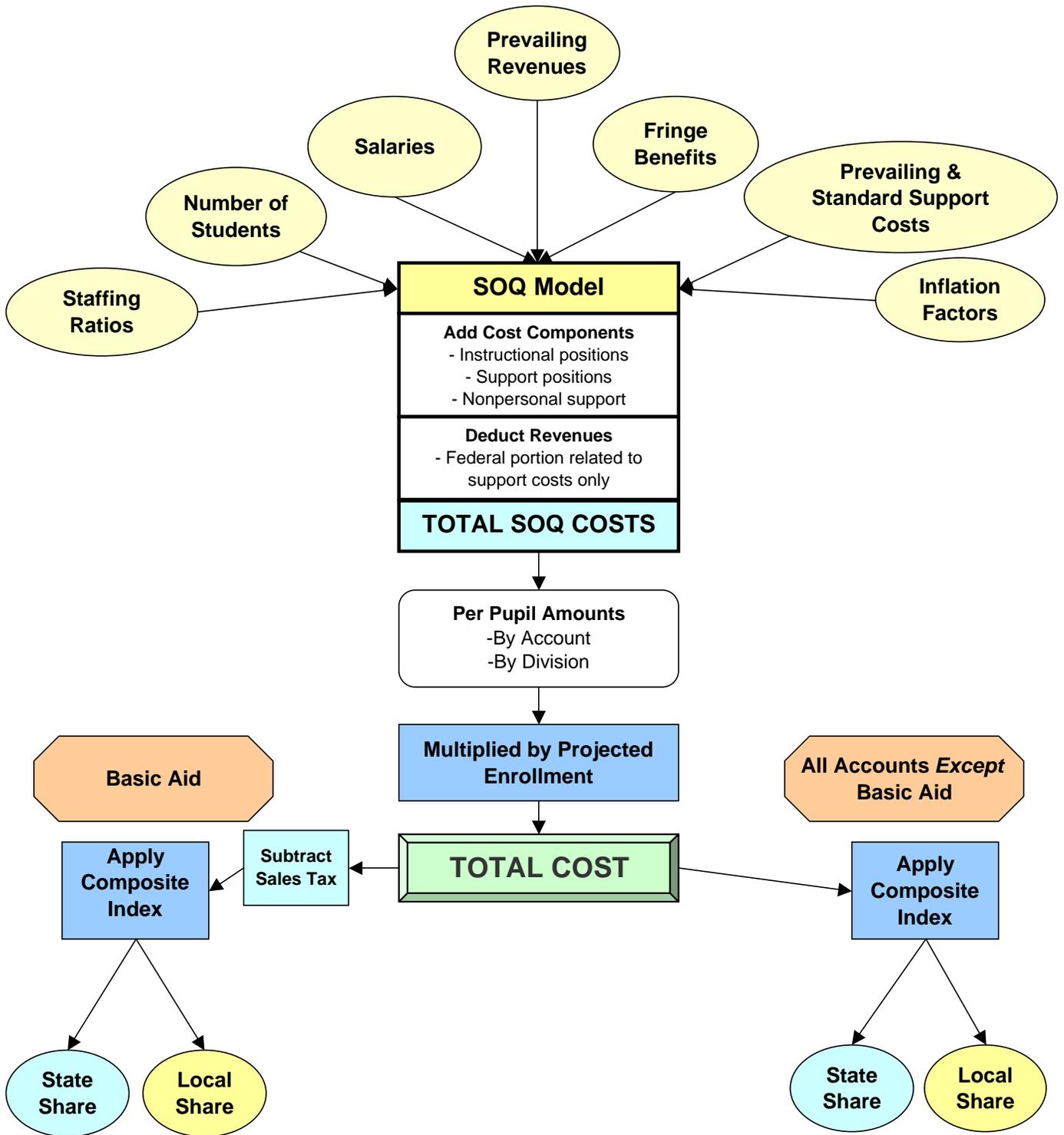
² Linear weighted average salaries based on FY 2004 base-year data.

³ The FY 2002 linear weighted average salaries adjusted for the salary increases granted for SOQ positions in the 2002-2004 state budget (2.25%).

⁴ The FY 2004 linear weighted average salaries adjusted for the salary increases granted for SOQ positions in the 2004-2006 state budget (3.00%).

⁵ School divisions within Planning District Eight receive the cost of competing adjustment (COCA): Arlington County, Fairfax County, Loudoun County, Prince William County, Alexandria City, Fairfax City, Falls Church City, Manassas City and Manassas Park City.

SOQ Funding Process



Composite Index of Local Ability-to-Pay Formula

ADM Component =

$$.5 \left[\frac{\text{Local True Value of Property}}{\text{Local ADM}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local ADM}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local ADM}} \right]$$

$$\frac{\text{State True Value of Property}}{\text{State ADM}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State ADM}}$$

Population Component =

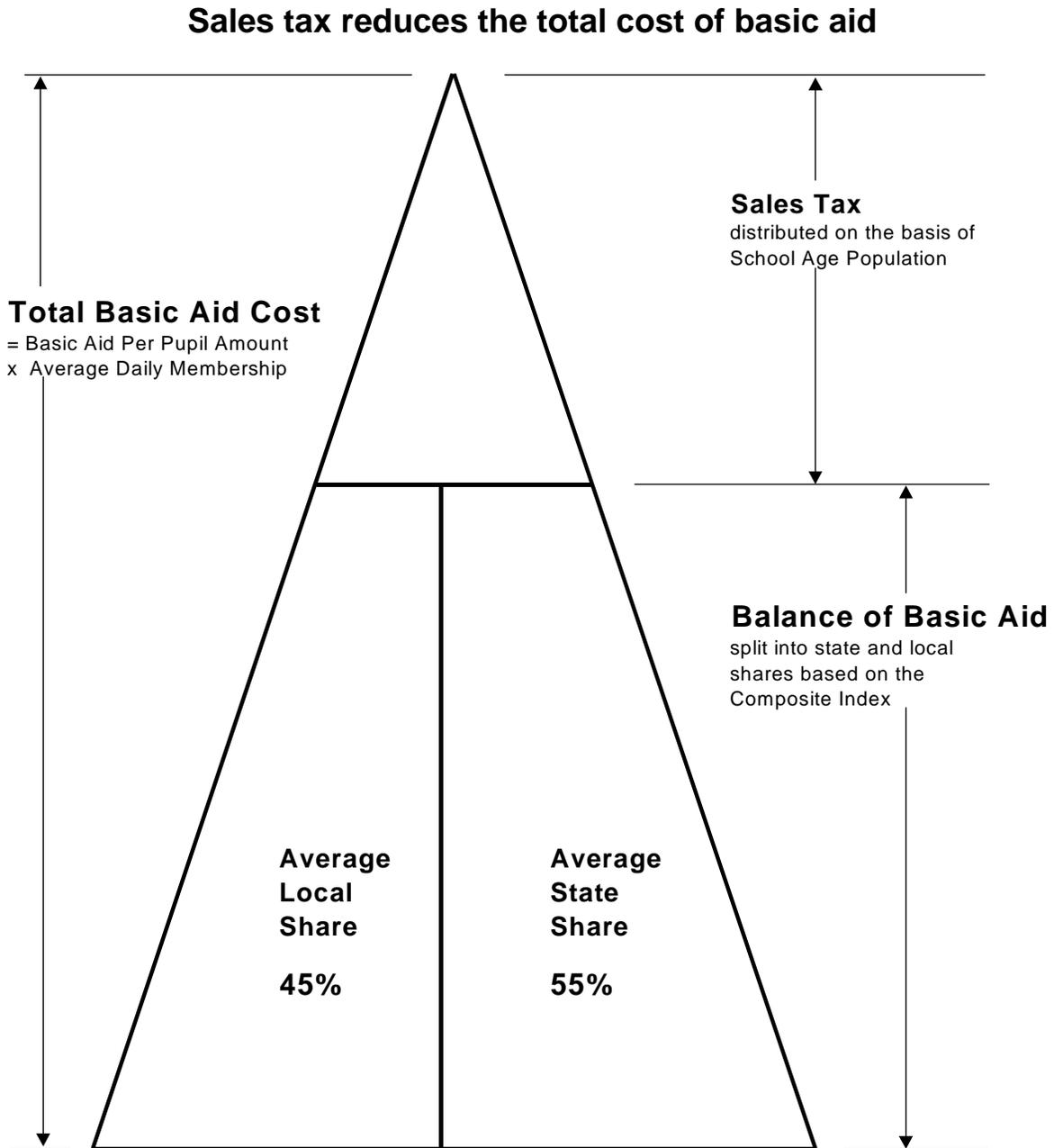
$$.5 \left[\frac{\text{Local True Value of Property}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right]$$

$$\frac{\text{State True Value of Property}}{\text{State Population}} \quad \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \quad \frac{\text{State Taxable Retail Sales}}{\text{State Population}}$$

Local Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45 \text{ (average local share)}$$

State and Local Shares of Total Basic Aid Cost



Note: State and local shares will vary by locality based on each locality's composite index.