

Summary of Governor Gilmore's Amendments to the Budget for 2000-2002

Technical Adjustments to Existing Programs

- **Update ADM and Fall Membership --** The proposed budget includes the funding required to cover revised projections of March 31, 2001, and March 31, 2002, Average Daily Membership (ADM). Projected ADM was originally forecast by the Department of Education based on September 30, 1999, Fall Membership. The projections have been revised based on September 30, 2000, Fall Membership. On a statewide basis, these projections are 1,456 students higher in fiscal year 2001 and 2,660 students higher in fiscal year 2002 than the original projections contained in Chapter 1073, 2000 Acts of Assembly (2000 appropriation act). In addition, all accounts that are allocated on the basis of Fall Membership have been updated.
- **Update Sales Tax Projections --** The estimated entitlements also reflect the most recent one-cent sales tax estimates, as computed by the Department of Taxation. The Department of Taxation projects revenues of \$767.8 million in fiscal year 2001 and \$822.9 million in fiscal year 2002. The new projections are approximately \$15.9 million lower in fiscal year 2001 and \$11.6 million lower in fiscal year 2002 than the projections contained in Chapter 1073, 2000 Acts of Assembly. As required by the Basic Aid funding formula, Basic Aid payments have been increased to offset a portion (determined by each division's composite index of ability-to-pay) of the reduced sales tax revenues.
- **Update Lottery Profits Forecast --** The revised forecast for Lottery profits for fiscal year 2001 is \$327.2 million in fiscal year 2001, which is approximately \$16.9 million higher than projected in Chapter 1073, 2000 Acts of Assembly. Of the additional amount, \$13.2 million is from Lottery profits that exceeded the official estimate for fiscal year 2000. The forecast for Lottery profits in fiscal year 2002 is \$314.1 million, which is approximately \$3.8 million higher than projected in Chapter 1073, 2000 Acts of Assembly. The base per pupil amounts will change from \$194.40 to \$194.27 in fiscal year 2001 and from \$193.20 to \$192.90 in fiscal year 2002 as a result of revisions in projected average daily membership. The additional Lottery profits will be distributed based on the state's share of \$10.44 per pupil in fiscal year 2001 and \$2.34 per pupil in fiscal year 2002. School divisions' allocations for Lottery Hold Harmless payments will be reduced by any amounts received from additional Lottery profits.
- **Update Virginia Retirement System (VRS) Rates for Instructional and Non-instructional Staff --** The employer rates for VRS for instructional positions have been reduced from 7.92 percent to 7.54 percent in fiscal year

2001 and from 7.92 percent to 4.24 percent in fiscal year 2002. The significant employer rate reduction in fiscal year 2002 is the result of pooling instructional/professional positions with state employees to calculate retirement rates. The prevailing VRS rates for non-instructional positions have been reduced from 5.65 percent in fiscal year 2001 and 5.66 percent in fiscal year 2002 to 4.83 percent in both fiscal years. As a result of this change, the state will save approximately \$7.7 million in fiscal year 2001 and \$64.9 million in fiscal year 2002.

Other Changes to Existing Programs

- **Expand the Standards of Learning (SOL) Algebra Readiness Program --** The Governor's budget includes an additional \$4.2 million in fiscal year 2002 for this program. A portion of this funding covers a reduction in the student to teacher ratio from 10 to 1 to 8 to 1. As established in Chapter 1073, 2000 Acts of Assembly, school divisions will be allowed to use funding from this program to help students in grades six through nine who are at-risk of failing the Algebra I SOL end-of-course test.
- **Change Funding Source for School Construction and Maintenance Supplement Programs --** The Governor's budget proposes to supplant \$9.4 million in general fund support for the Maintenance Supplement program with Literary Fund monies in fiscal year 2001. It also proposes to supplant \$55 million in general fund support for the School Construction program with Literary Fund monies in both fiscal years. These changes only affect the source of funding for these programs and will not affect divisions' allocations for these accounts.
- **Change Funding Source Available for School Construction Projects that are on the Literary Fund's First Priority Waiting List --** As a result of using Literary Fund revenues for school construction and maintenance supplement payments, no Literary Fund revenue will be available for the issuance of school construction loans in fiscal years 2001 and 2002. In order to permit projects on the First Priority Waiting List to proceed, an amount not to exceed \$120 million over the 2000-2002 biennium will be made available for public school construction projects through the issuance of Virginia Public School Authority (VPSA) bonds. To be eligible to receive these bond proceeds, school divisions must be on the First Priority Waiting List; however, school divisions will draw these funds just as they would other VPSA proceeds. They will not be required to draw these funds according to the policies and procedures of the Literary Fund regulations. School divisions that participate in this program will repay the loans at the interest rate the division would have paid for a loan from the Literary Fund. Debt service for the VPSA bonds will be paid from the Literary Fund. To offset the cost of this program, unclaimed lottery prizes, which were previously transferred to the General Fund, will be

retained by the Literary Fund. This action increases Literary Fund revenue by approximately \$9.0 million annually.

- **Change the Funding Formula for the Retiree Health Care Credit --** In fiscal year 2002, the Governor's budget proposes to reduce payments for the Retiree Health Care Credit to include only those positions funded under the Standards of Quality (SOQ) that are subject to the VRS instructional rate. The budget also proposes to share the cost of the program with localities based on the composite index of local ability-to-pay. Previously, the state had paid 100 percent of the cost for this program for all eligible positions employed by school divisions. The Department of Education made these payments directly to VRS on behalf of school divisions. In fiscal year 2002, the Retiree Health Care Credit will be calculated in conjunction with the VRS instructional rate at 0.68 percent for required SOQ positions. Consequently, the funded VRS rate will be 4.92 percent (4.24 percent plus 0.68 percent) in fiscal year 2002. Beginning July 1, 2001, school divisions will make these payments to VRS. As a result of this change, the state will save approximately \$19.4 million in fiscal year 2002.
- **Increase Funding for Detention Homes --** The Governor's budget includes an additional \$120,000 in fiscal year 2001 and \$100,000 in fiscal year 2002 to fund educational services in a new detention home in Prince Edward County. The budget also includes an additional \$350,000 in fiscal year 2002 to fund projected enrollment increases in existing detention homes, in accordance with Chapter 865, 2000 Acts of Assembly.
- **Update Funding for Governor's Schools --** Funding for the Academic Year Governor's Schools was reduced by \$484,575 in fiscal year 2001 to reflect enrollment as of September 30, 2000.

Funding for New Programs

- **Expand the Governor's Academic Challenge Program --** The Governor's budget provides an additional \$6.0 million in fiscal year 2002 for the Academic Challenge Program, which provides additional assistance to schools whose students perform poorly on the Standards of Learning (SOL) tests. The Governor began this program administratively in fiscal year 2001 to help schools that received the accreditation status of "Accredited with Warning" in English or math, based on SOL tests administered during the 1999-2000 school year. In fiscal year 2002, this program will be expanded to include schools with the accreditation status of "Provisionally Accredited/Needs Improvement."
- **Continue the Remediation-Retesting Program --** The Governor's budget includes an additional \$543,553 in fiscal year 2002 for a program that allows

students who fail an SOL test, but who advance to the next grade, the opportunity to retake the test after they have participated in a remediation program. This program was implemented administratively in fiscal year 2001 in response to a revision in the Standards of Accreditation (SOA) that allows school divisions to offer recovery programs for students who fail SOL English or math tests in grades 3, 5, or 8, or who fail SOL end-of-course mathematics tests. School divisions have the option of participating in this program.

- **Continue the Emergency Retake of SOL End-of-Course Tests --** The budget provides \$914,863 in fiscal year 2002 to allow students who narrowly fail an SOL end-of-course test the opportunity to retake the test as soon as possible. To be eligible to retake an SOL end-of-course test on an expedited schedule, the student must meet the following criteria:
 1. Need the test for verified credit, and
 2. Have passed the course associated with the test, and
 3. Have either:
 - failed the test by a narrow margin, or
 - failed the test by any margin and have extenuating circumstances that would warrant retesting, or
 - did not sit for the regularly scheduled test for legitimate reasons.

Like the Remediation-Retesting program, this program was implemented administratively in fiscal year 2001 in response to recommendations from the Accountability Advisory Committee and revisions to the Standards of Accreditation (SOA).