

Proposed Amendments by the Senate and the House of Delegates to the Governor's Introduced Budget (HB1600/SB800)

Section I

Senate and House of Delegates Changes to Amendments Made by the Governor in the Introduced Budget

Update Sales Tax Projections

Governor's Introduced Budget -- Reflects 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.

Senate -- Increases the estimated portion of sales tax dedicated to public education by \$4.8 million in fiscal year 2002 based on the impact of Senate Bill 1409. An offsetting reduction in funding for basic aid of \$2.7 million in fiscal year 2002 results from this change.

House -- No action taken.

Update Lottery Proceeds Forecast

Governor's Introduced Budget -- The revised forecast for Lottery proceeds 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 proceeds that exceeded the official estimate for fiscal year 2000. The forecast for Lottery proceeds 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.

Senate -- No action taken.

House -- Provides an additional \$2.0 million in Lottery proceeds in fiscal year 2002. After deducting the portion of these proceeds that are dedicated to basic aid, the remaining amount that will be distributed directly to localities in fiscal year 2002 is

\$779,613. The additional Lottery proceeds will be distributed to localities in fiscal year 2002 based on the state share of \$3.57 per pupil. School divisions' allocations for Lottery Hold Harmless payments are reduced by \$296,257 in fiscal year 2002 due to the anticipated receipt of these additional Lottery proceeds.

Update Virginia Retirement System (VRS) Rates for Instructional and Non-instructional Staff

Governor's Introduced Budget -- 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.

Senate -- Reduces the instructional VRS rate from 7.54 percent to 4.24 percent in fiscal year 2001, and maintains the instructional VRS rate at 4.24 percent in fiscal year 2002. Reduces the prevailing VRS rate for non-instructional positions from 4.83 percent to 4.38 percent in both fiscal years. As a result of these actions, funding for retirement benefits is reduced by \$59.5 million in fiscal year 2001 and \$19.3 million in fiscal year 2002. The following accounts are affected by this change: VRS retirement, basic aid, salary supplement, SOQ remedial education, enrollment loss, at-risk, additional teachers, English as a second language, alternative education, and the K-3 class size reduction program.

House -- Same as Senate.

Change the Funding Formula for the Retiree Health Care Credit

Governor's Introduced Budget -- 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.

Senate -- Eliminates the Governor's proposal described above, and restores 100 percent state funding for the Retiree Health Care Credit in fiscal year 2002 at an additional state cost of \$15.4 million for a total state cost of \$26.6 million. In addition, the rate is lowered from 0.68 percent of salary to 0.58 percent of salary.

House -- Maintains the Governor's proposal for fiscal year 2002, but also lowers the rate for the Retiree Health Care Credit portion of the instructional retirement rate from 0.68 percent of salary to 0.58 percent of salary. This action reduces state funding by approximately \$1.6 million in fiscal year 2002.

Standards of Learning (SOL) Algebra Readiness Program

Governor's Introduced 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. Technical updates to projected enrollment and the Standards of Learning (SOL) test data used in the funding formula are also made. 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.

Senate -- Reduces funding by \$2.6 million in fiscal year 2002 as a result of increasing the student to teacher ratio to 10 to 1.

House -- Reduces funding by \$4.3 million in fiscal year 2002 as a result of increasing the student to teacher ratio to 12 to 1.

Change Funding Source for School Construction and Maintenance Supplement Programs

Governor's Introduced Budget -- Proposes to replace \$9.4 million in general fund support for the Maintenance Supplement program with Literary Fund monies in fiscal year 2001. It also proposes to replace \$55.0 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.

Senate -- Restores \$9.4 million in general fund support for the Maintenance Supplement program in fiscal year 2001. Restores \$55.0 million in general fund support for the School Construction program in both fiscal years.

House -- No action taken.

Change Funding Source for School Construction Projects that are on the Literary Fund's First Priority Waiting List

Governor's Introduced Budget -- 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.

Senate -- Eliminates the Governor's proposal described above, replacing it with modifications to the Literary Fund Interest Rate Subsidy program. The amendment reduces the fiscal year 2001 authority for subsidy payments from \$30.0 million to \$19.0 million, reflecting actual participation in the Fall 2000 subsidy sale. The fiscal year 2002 authorization for subsidy payments from the Literary Fund is increased from \$20.0 million to \$39.0 million. This action will permit Literary Fund loans to be issued in fiscal year 2001.

House -- No action taken.

Update Funding for Governor's Schools

Governor's Introduced Budget -- 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.

Senate -- Maintains the Governor's action described above and proposes the following amendments: provides \$40,000 in fiscal year 2002 to continue planning for a new Governor's School for the Danville-Martinsville region; provides \$113,608 in fiscal year 2002 for the state share of operating funds for the Massanutten Governor's School for Integrated Environmental Science and Technology, a program serving the Page, Rockingham, Shenandoah, and Harrisonburg school divisions; and provides \$71,165 in fiscal year 2002 to fully fund the Summer Residential Governor's School programs.

The Senate also proposes the following language amendment: "The appropriated funding for academic year Governor's Schools shall continue for the 2001-02 school year, and shall not be reduced below the level provided in Chapter 1073 of the 2000 Session, other than as necessary for changes in enrollment. The Department of Education shall review the funding levels for each academic year Governor's School and recommend any changes necessary to ensure the fair and equitable treatment of such programs. The Department shall report the results of that review to the Chairmen of the Senate Finance and House Appropriations Committees by November 1, 2001."

House -- Maintains the Governor's action described above and proposes the following amendments: provides \$113,608 in fiscal year 2002 for the state share of operating funds for the Massanutten Governor's School for Integrated Environmental Science and Technology, a program serving the Page, Rockingham, Shenandoah, and Harrisonburg school divisions; and provides \$71,165 in fiscal year 2002 to fully fund the Summer Residential Governor's School programs.

The House also proposes the following language amendment: "In developing its budget submission for the 2002-04 biennium, the Department of Education shall recommend a methodology for determining academic year Governor's School payments. No changes in the methodology shall impact academic year Governor's School payments until the 2002-04 biennium."

Governor's Academic Challenge Program

Governor's Introduced 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."

Senate -- Removes the \$6.0 million in funding in fiscal year 2002 and the budget language establishing the program.

House -- Same as Senate.

Remediation-Retesting Program

Governor's Introduced 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.

Senate -- No action taken.

House -- No action taken.

Emergency Retakes of SOL End-of-Course Tests

Governor's Introduced 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).

Senate -- No action taken.

House -- No action taken.

Section II

Budget Amendments by the House and Senate Not Included in the Governor's Introduced Budget -- Standards of Quality Accounts

Salary Increase for Funded SOQ Positions

Senate -- Provides \$82.6 million in fiscal year 2002 for the state share of a 6.0 percent salary increase effective December 1, 2001, for funded SOQ instructional and support positions. Eliminates budget language encouraging localities to use savings from the

reduction in retirement contribution rates paid to the Virginia Retirement System to provide teacher salary increases and benefits in fiscal year 2002.

House -- Provides \$48.5 million in fiscal year 2002 for the state share of a 3.5 percent salary increase effective December 1, 2001, for funded SOQ instructional and support positions. Eliminates budget language encouraging localities to use savings from the reduction in retirement contribution rates paid to the Virginia Retirement System to provide teacher salary increases and benefits in fiscal year 2002.

Change Funding Source for Teacher Retirement

Senate -- Replaces \$14.4 million of general fund appropriation in fiscal year 2001 with Literary Fund proceeds and \$55.0 million of general fund appropriation in fiscal year 2002 with Literary Fund proceeds for VRS Retirement.

House -- No action taken.

Cost of Competing for SOQ Support Positions

Senate -- No action taken.

House -- Increases basic aid funding by \$1.2 million in fiscal year 2002 to continue a cost of competing salary differential of 22.77 percent for SOQ support positions in Planning District Eight school divisions.

Remedial Summer School Programs

Senate -- No action taken.

House -- Adds budget language that includes required remediation programs that occur during intercession periods of year-round schools as eligible for Remedial Summer School funds. The language also allows these funds to be used in conjunction with other sources of state funding for remediation or intervention and that school divisions have maximum flexibility with respect to the use of these funds and the types of remediation programs offered.

The language also clarifies the requirement that students attending required remedial programs shall not be charged tuition nor receive high school credit. Beginning with fiscal year 2001, the Department of Education is directed to collect data from school divisions to ensure that no school division receives state funding for students who were charged tuition or who earned high school credit for attending these programs. School divisions will have to certify that no tuition was charged and that no high school credit was given to students attending the programs. (Note: if adopted, this language will

require the department to adjust payments made to school divisions this year to eliminate any payments for students who were either charged tuition or given high school credit if they were included in the Remedial Summer School enrollment reported to the department last fall.)

Composite Index Adjustments for Joint or Regional Economic Development Programs

Senate -- Adds budget language that requires the Board of Education, in the event that two or more local governments enter into agreements for joint or regional economic programs that result in disproportionate increases in the true value of real property for one or more of the participating local governments, to adjust the assignment of those affected property values when computing the composite index of local ability-to-pay.

House -- No action taken.

Budget Amendments by the House and Senate Not Included in the Governor's Introduced Budget -- Incentive-based Accounts

Teacher Training for Standards of Learning

Senate -- Reduces state general funds for the SOL Teacher Training program by \$1.0 million in fiscal year 2002 and directs that this funding be replaced with federal Eisenhower grant funds that are paid to school divisions.

House -- No action taken.

Early Reading Intervention Program

Senate -- Reduces funding by \$1.3 million in fiscal year 2002 by maintaining fiscal year 2001 participation levels in fiscal year 2002. (School divisions had the option of participating at the following grade sequences in fiscal year 2001: kindergarten; kindergarten and first grade; kindergarten, first, and second grades; or in kindergarten through third grade.)

House -- Reduces funding by \$1.0 million in fiscal year 2002, continuing the option for school divisions to participate at selected grade levels in fiscal year 2002 (divisions do not have to participate at all grades in kindergarten through grade three in order to receive state funding); however, budget language requires that school divisions only receive state funding for the grades in which they participate.

At-risk Four-year-olds Program

Senate -- Reduces funding by \$1.2 million in fiscal year 2002 for projected non-participation.

House -- No action taken.

VPSA Technology Funding (SOL Web-based Technology Initiative)

Senate -- Adds budget language specifying that regional mathematics and science centers are eligible for funding for the SOL Web-based Technology initiative in the 2000-2002 biennium. The amendment also increases the issuance amount for new schools (as of the 2000-2001 school year) eligible for funding under the initiative by \$312,000 in both fiscal years.

House -- Adds budget language specifying that regional mathematics and science centers are eligible for funding for the SOL Web-based Technology initiative in the 2000-2002 biennium. The amendment also increases the issuance amount for new schools (as of the 2000-2001 school year) eligible for funding under the initiative by \$590,000 in both fiscal years.

Technology Support Payments (Technology Resource Assistants)

Senate -- Provides \$209,531 in fiscal year 2002 to include new schools (as of the 2000-2001 school year) that are eligible to receive funding.

House -- Same as Senate.

GED Test and Preparatory Program

Senate -- Reduces funding by \$89,000 in fiscal year 2002 for projected non-participation.

House -- No action taken in fiscal year 2002.

Budget Amendments by the House and Senate Not Included in the Governor's Introduced Budget -- Categorical Accounts

Vocational Education Equipment

Senate -- Increases fiscal year 2002 funding for secondary vocational-technical equipment by \$300,000.

House -- Budget language permits the department to carryforward unexpended fiscal year 2001 appropriations for reappropriation in fiscal year 2002.

Year-round Schools Pilots

Senate -- Provides \$400,000 in fiscal year 2002 to continue the Year-round School program.

House -- Provides \$350,000 in fiscal year 2002 to continue the Year-round School program.

Alternative Education Pilots for Elementary Students

Senate -- No action taken.

House -- Provides \$400,000 in fiscal year 2002 to continue the program.

Advancement Via Individual Determination (AVID)

Senate -- Provides additional funding for AVID programs as follows: \$15,813 in fiscal year 2002 to continue the program in Staunton; \$35,000 in fiscal year 2002 to implement a program in Gloucester; and \$60,000 in fiscal year 2002 to implement a program in Williamsburg-James City. Reduces funding by \$45,000 in fiscal year 2002 for the AVID center in Newport News that no longer provides training.

House -- Reduces funding by \$45,000 in both fiscal years for the AVID center in Newport News that no longer provides training.

Virginia Guaranteed Assistance Program (VGAP)

Senate -- Provides \$95,000 in fiscal year 2002 to implement a VGAP program in Spotsylvania.

House -- No action taken.

Northern Neck-Middle Peninsula Public Education Consortium

Senate -- No action taken.

House -- Provides the Northern Neck-Middle Peninsula Public Education Consortium with the flexibility to use a portion of fiscal year 2001 funding in fiscal year 2002.

Van Gogh Outreach Program

Senate -- Increases funding for the Van Gogh Outreach program in fiscal year 2002 by \$110,000.

House -- No action taken.

Budget Amendments by the House and Senate Not Included in the Governor's Introduced Budget -- Department of Education Central Office/Other Budget Actions

Virginia Teaching Scholarship Loan Program

Senate -- Amends budget language related to the Virginia Teaching Scholarship Loan Program to reflect the addition of combination state and local awards, pursuant to the provisions of SB 1105.

House -- No action taken.

Virginia Curriculum and Resource Center

Senate -- No action taken.

House -- Provides \$400,000 in fiscal year 2002 for continuation of the program.

State Skills Centers

Senate -- Provides \$175,000 in fiscal year 2002 to support the state's three skill centers.

House -- Provides \$541,000 in fiscal year 2002 to support the state's three skill centers.

Qualified Zone Academy Bonds (QZAB)

Senate -- Expands the number of schools eligible for the QZAB program. The current budget language requires schools to: 1) have at least 35 percent free lunch participation and 2) either be located in federal enterprise communities or be located in cities and counties within which federal enterprise communities are located. The amendment would allow participation if the school satisfied either criterion.

House -- No action taken.

Teacher Bonuses for National Board of Professional Teaching Standards Certification

Senate -- No action taken.

House -- Provides an additional \$370,000 in fiscal year 2002 to pay bonuses to the 74 additional Virginia teachers who have received initial certification from the National Board of Professional Teaching Standards.

Academic Reviews

Senate -- Reduces the department's general fund budget for conducting academic reviews and requires the department to coordinate with school divisions to use their federal Eisenhower grant funds to help pay for the cost of the reviews.

House -- No action taken.