

## **Changes to the Fiscal Year 2002 Budget (HB/SB 29) Adopted by the 2002 General Assembly**

### DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

#### **National Board of Professional Teaching Standards Bonuses**

*Senate* – Provides additional funding of \$325,000 to fully fund national board certification bonuses for the anticipated number of eligible classroom teachers. For fiscal year 2002, 70 teachers are eligible for a \$5,000 initial bonus and 53 teachers are eligible for a \$2,500 continuing bonus.

*House* – Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### DIRECT AID TO PUBLIC EDUCATION BUDGET

#### **VRS Group Life Holiday**

*Senate* - No action taken.

*House* - Reduces funding for the Virginia Retirement System (VRS) group life in fiscal year 2002 by \$641,493 for a two-month premium holiday in May and June 2002. There is no change in the group life employer contribution rate for fiscal year 2002 (0.32 percent); however, group life payments will only be made for the first ten months of the year (through April 2002). Please be aware that since fringe benefit payments for the month of June are "rolled over" to the following fiscal year, there only will be a one-month (May) reduction in state revenue in fiscal year 2002. The second month reduction in state revenue will occur with the special July 2002 fringe benefit rollover payment. In addition, group life costs for support positions paid through Basic Aid will be prorated on a ten-month basis using a rate of 0.27 percent (e.g., ten-twelfths of 0.32 percent). This would result in a slight reduction in your Basic Aid per pupil amount for the current year.

*Final Action (Conference Report) – Adopts the House proposal.*

*Note: The Virginia Retirement System's Board of Trustees met on March 14, 2002, and adopted this premium holiday for both the employer and the employee Group Life premium. Please look for more information in the future from the VRS regarding the implementation of this change.*

*The department will begin adjusting Group Life payments for the May and June premium holiday beginning with the first recurring payment in April. Group Life payments for April and May will be calculated using a rate of 0.32 percent, but the fiscal year 2002 entitlement on which the remaining recurring payments are based will be prorated for ten months of the year.*

*Any Group Life overpayments resulting from the Group Life premium holiday will be corrected by making adjustments to final Basic Aid entitlements.*

### **Update VRS Support Rate**

*Senate* - Reduces the VRS support rate applied to non-professional support positions from 4.83 percent to 4.35 percent, reflecting the prevailing rate of the most recent data from the Virginia Retirement System. This action reduces funding in fiscal year 2002 by \$740,440. The following accounts are affected by this change: Basic Aid, Salary Supplement, Enrollment Loss, At-Risk, and Alternative Education.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

**The Table Below Provides the Final Rates Included in the Budget Adopted by the General Assembly for Fiscal Year 2002.**

#### **Virginia Retirement System (VRS) Employer Rates for Payment - Fiscal Year 2002**

<u>VRS Rate</u>	<b>General Assembly Final Action – FY 2002</b>
Instructional/Professional Retirement	3.60%
Support Retirement	4.35%
Group Life	0.32% (but with May and June 2002 employer premium holiday)

### **Recognize Additional Lottery Proceeds, Including Basic Aid and Hold Harmless Offsets**

*Senate* - Provides an additional \$6.0 million in lottery proceeds in fiscal year 2002. After deducting the portion of these proceeds that are dedicated to basic aid (based on the average state share of the composite index), the remaining amount that will be distributed directly to localities in fiscal year 2002 is \$2.4 million. Including additional proceeds contained in the introduced budget (HB/SB 29), additional lottery proceeds will be distributed to localities in fiscal year 2002 based on the state share of \$32.15 per pupil, an increase of \$3.79 per pupil above the amounts contained in the introduced budget. School divisions' allocations for lottery hold harmless payments are reduced by \$453,839 due to the anticipated receipt of these additional lottery proceeds.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### **Update Virginia Public School Authority (VPSA) Technology Initiative (NGF)**

*Senate* – Provides for the distribution of an additional \$208,000 in VPSA technology notes for an additional eight schools at \$26,000 per school.

*House* – Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals, which distribute an additional \$208,000 in VPSA technology notes for an additional eight schools at \$26,000 per school. In addition, an additional \$50,000 was provided for Alleghany County pursuant to the provisions of § 15.2-1302, Code of Virginia, which represents the division allocation Clifton Forge would have received prior to its consolidation with Alleghany County.*

### **Update At-Risk Four Year Olds Program**

*Senate* - Reduces funding by \$3.1 million based on actual participation in the program. This amendment captures savings from reduced participation, not a reduction in the entitlements paid to school divisions. Payments for fiscal year 2002 will reflect this amendment.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### **Update K-3 Primary Class Size Reduction Program**

*Senate* - Reduces funding by \$2.3 million based on September 30, 2001, fall membership, approved participation levels, and a reduction in the VRS instructional employer contribution rate from 4.24 percent to 3.60 percent.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### **Governor's Schools Technical Updates**

*Senate* - Provides \$29,867 in additional funding to address supplemental funding needed for summer programs.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### **Advancement Via Individual Determination (AVID)**

*Senate* – Provides an additional \$42,276 to fully fund AVID programs in the cities of Petersburg and Staunton, and the county of Culpeper.

*House* – No action taken.

*Final Action (Conference Report) – Adopts the House proposal, which does not make any changes in funding for the current year.*

### **Literary Fund**

*Senate* – Replaces \$53.0 million in general funds with Literary Fund revenues to be used for VRS retirement. This action only affects the source of funding for retirement payments and would not affect division entitlements in fiscal year 2002. Consequently, no Literary Fund revenues will be available for direct loans in fiscal year 2002 as a result of this action.

*House* – Same as Senate. The House also included language in HB 29 clarifying that school employee retirement and social security contributions include payments from funds derived from the principal of the Literary Fund.

*Final Action (Conference Report) – Adopts the House proposal, which transfers an additional \$53.0 million from the Literary Fund to be used to pay teacher retirement and includes language in HB/SB 29 clarifying that school employee retirement and social security contributions include payments from funds derived from the principal of the Literary Fund.*

*The combined actions of the introduced budget, which transfers \$57.0 million, and the conferees actions, which transfers an additional \$53.0 million from the Literary Fund to pay teacher retirement, bring the total transfer to \$110.0 million in the current year. Consequently, no loans will be made during the current fiscal year.*

### **Early Reading Intervention Program**

*Senate* – Language was added to SB 29 to clarify that incentive payments in fiscal year 2002 are based on the same weights used in fiscal year 2001.

*House* – Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

### **Carryover Provisions**

**Senate** - No action taken. Language in SB 29, as introduced, relating to the carryover of fiscal year 2002 unexpended balances into fiscal year 2003 for the SOL Algebra Readiness Program was accepted by the Senate.

**House** - Language is added to specify that any unexpended balances of state funds on June 30, 2002, that are not required to be spent for the state share of SOQ programs may be carried forward to be appropriated to school divisions in fiscal year 2003 for any school purpose and that these funds would continue to be counted as state funds. This provision would apply to the SOL Algebra Readiness program as well as other non-SOQ Direct Aid accounts.

***Final Action (Conference Report) – Adopts the House proposal.***

### **Transfer and Proration Authority**

**Senate** - No action taken.

**House** - Language authorizes the Department of Education to transfer any available funds between the various entitlements to address any insufficiencies and to prorate any overall shortfall proportionately across all the school divisions.

***Final Action (Conference Report) – Adopts the House proposal.***

**Changes to the 2002-2004 Biennial Budget as Introduced (HB/SB 30)  
Adopted by the 2002 General Assembly**

DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

**Best Practice Centers**

*Senate* - Eliminates all eight of the regional best practice centers for a savings of \$1.8 million in fiscal year 2003 and \$2.4 million in fiscal year 2004.

*House* - Reduces the number of centers from eight to four and removes the related funding.

*Final Action (Conference Report) – Adopts the Senate proposal.*

**History SOL Tests**

*Senate* – No action taken.

*House* – Provides additional funding to create separate history tests in grades five through eight. Also provides additional funding to change the history tests to match the revised history standards of learning.

*Final Action (Conference Report) – Adopts the House proposal.*

**Academic Reviews**

*Senate* – Reduces funding for the academic review teams based on the recent reductions in the number of schools accredited with warning.

*House* – Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

**Web-Based SOL Testing**

*Senate* – Defers the statewide implementation of the Web-based testing program for one year. This would allow the department an additional year to identify and accommodate technical and implementation issues through further pilot testing and development. In addition, school divisions are provided additional time to have their infrastructure fully operational and ready for on-line testing at the high school level in the spring of 2004. Base funding is still available in 2002-2004 for the continued development of the program. This amendment does not affect the proposed funding for school divisions that is provided from VPSA equipment note proceeds.

**House** – Defers statewide implementation by two years until the Spring of 2005. This amendment does not affect the proposed funding for school divisions that is provided from VPSA equipment note proceeds.

***Final Action (Conference Report) – Adopts the Senate proposal.***

### **National Board of Professional Teaching Standards Bonuses**

**Senate** - Provides an additional \$875,000 in fiscal year 2003 and \$1.5 million in fiscal year 2004 to fully fund bonuses for the number of teachers expected to be eligible in 2002-2004. In fiscal year 2003, 138 teachers are projected to be eligible for the initial bonus of \$5,000 and 137 teachers are projected to be eligible for the continuing bonus of \$2,500. In fiscal year 2004, 198 teachers are projected to be eligible for the initial bonus of \$5,000 and 275 teachers are projected to be eligible for the continuing bonus of \$2,500.

**House** - No action taken.

***Final Action (Conference Report) – Provides an additional \$875,000 in fiscal year 2003 to fully fund bonuses for the number of teachers expected to be eligible in fiscal year 2003 and an additional \$875,000 in fiscal year 2004 to partially fund the number of teachers expected to be eligible in fiscal year 2004. In fiscal year 2003, 138 teachers are projected to be eligible for the initial bonus of \$5,000 and 137 teachers are projected to be eligible for the continuing bonus of \$2,500. In fiscal year 2004, 198 teachers are projected to be eligible for the initial bonus of \$5,000 and 275 teachers are projected to be eligible for the continuing bonus of \$2,500. If these projections are accurate, the first year awards would be paid in full and the second year awards would have to be prorated.***

### **School Food Allergy Program**

**Senate** - Language requires the Department of Education to develop recommendations for a school food allergy program.

**House** - No action taken.

***Final Action (Conference Report) – Adopts the Senate proposal.***

### **Special Education Billing Program**

**Senate** - Language requires the Department of Education to work with the Department of Medical Assistance Services to expand services covered under the special education billing program.

**House** - No action taken.

***Final Action (Conference Report) – Adopts the Senate proposal.***

**Literacy Passport Test**

*Senate* - No action taken.

*House* - Language ends the Literacy Passport Test after July 1, 2003, and eliminates passing the Literacy Passport Test as a requirement for receipt of a high school diploma effective July 1, 2003. As a result, funding for this testing in fiscal year 2004 has been eliminated.

***Final Action (Conference Report) – Adopts the House proposal.***

**DIRECT AID TO PUBLIC EDUCATION BUDGET**

**VRS Group Life**

*Senate* - Reduces the VRS group life employer contribution rate from 0.40 percent to 0.13 percent in both fiscal years. This revised rate is based on employer contributions to the group life program only for active employees, and not retirees who would be funded from existing program assets. This change in the rate does not affect the group life benefits of current or future eligible retirees. This amendment reduces state funding to school divisions by \$5.1 million in fiscal year 2003 and \$5.6 million in fiscal year 2004. This action also reduces state funding for Basic Aid, VRS Group Life, and other accounts affected by the Basic Aid per pupil amount and fringe benefit changes.

*House* - Proposes a VRS group life premium holiday in both fiscal years, effectively reducing the group life employer contribution rate for funding to 0.0 percent in both years. This action reduces funding by \$7.8 million in fiscal year 2003 and \$8.0 million in fiscal year 2004. This action reduces state funding for Basic Aid, VRS Group Life, and other accounts affected by the Basic Aid per pupil amount and fringe benefit changes.

***Final Action (Conference Report) – Adopts the House proposal. Please be aware that in fiscal year 2003 there will be a very small payment in July for the Non-Instructional Group Life Cap for fiscal year 2002 that is “rolled-over” into July 2003.***

***Note: The Virginia Retirement System’s Board of Trustees met on March 14, 2002, and adopted this premium holiday for both the employer and the employee Group Life premium. Please look for more information in the future from the VRS regarding the implementation of this change.***

## **VRS Retirement – Instructional/Professional Rate**

*Senate* – No action taken.

*House* - Reduces the VRS retirement employer contribution rate on instructional and professional support positions from 4.44 percent (3.77 percent for the instructional rate plus 0.67 percent for the Retiree Health Care Credit rate) in the introduced budget to 2.88 percent (2.21 percent for the instructional rate plus 0.67 percent for the Retiree Health Care Credit rate) in both fiscal years. This reduced rate is based on recognizing gains in the retirement fund over a reduced time frame. This amendment reduces state funding to school divisions by \$26.9 million in fiscal year 2003 and \$29.2 million in fiscal year 2004. This action reduces state funding for Basic Aid, VRS Retirement, and other accounts affected by the Basic Aid per pupil amount and fringe benefit changes.

*Final Action (Conference Report) – No action taken. The rate contained in the Governor’s Introduced budget is maintained. The employer share of the rate is 4.44 percent (3.77 percent for retirement plus 0.67 percent for the Retiree Health Care Credit). Please note, the 0.67 percent for the Retiree Health Care Credit rate funds the costs for current and future retirees’ guaranteed benefit.*

## **Update VRS Support Rate**

*Senate* – Reduces the employer share of the state-funded rate from 4.83 percent to 3.07 percent for non-professional support positions for a savings of \$2.6 million in each year. These rates reflect the statewide prevailing rate based on the most recent data from the Virginia Retirement System. Actual rates paid to the Virginia Retirement System will vary by school division. The following accounts are affected by this change: Basic Aid, Salary Supplement, Enrollment Loss, At-Risk, and Alternative Education.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals.*

## **Rollover of Non-Instructional Caps from FY 2002**

*Senate* – Provides an additional \$958,392 in fiscal year 2003 to fully fund the state’s share of the non-instructional capped benefits from fiscal year 2002 that are “rolled-over” and paid in fiscal year 2003. This funding correction affects the VRS Retirement, Social Security, and Group Life accounts. Since these costs will be included in Basic Aid in the future, fiscal year 2003 is the last year these non-instructional caps will be funded with a “roll-over” component. In future years, these funds will be provided on a current year basis with Basic Aid.

*House* - Same as Senate.

***Final Action (Conference Report) – Adopts the Senate and House proposals, which provide an additional \$935,129 in fiscal year 2003 (revised from \$958,392) to fully fund the state’s share of the non-instructional capped benefits from fiscal year 2002 that are “rolled-over” and paid in fiscal year 2003. This funding correction affects the VRS Retirement, Social Security, and Group Life accounts. Since these costs will be included in Basic Aid in the future, fiscal year 2003 is the last year these non-instructional caps will be funded with a “roll-over” component. In future years, these funds will be provided on a current year basis with Basic Aid.***

**The Table Below Provides the Final Rates Included in the Budget Adopted by the General Assembly for Fiscal Year 2002.**

**Virginia Retirement System (VRS) Employer Rates for Payment - 2002-2004 Biennium**

<u>VRS Rate</u>	<b>General Assembly Final Action – FY 2003 and FY 2004</b>
Instructional/Professional Retirement	4.44% (3.77% retirement; 0.67% retiree health care credit)
Support Retirement	3.07%
Group Life	Employer rate premium holiday in FY 2003 and FY 2004
<p><u>Note Concerning the Retiree Health Care Credit:</u>            The Department of Education (DOE) will pay school divisions based on the state share of the 4.44 percent rate noted above for SOQ funded positions. This rate includes 0.67 percent for the retiree health care credit pursuant to §51.1-1401, <u>Code of Virginia</u>. School divisions will also pay VRS a rate equal to 4.44 percent of the credible compensation as the employer’s share for all instructional and professional employees that participate in the teacher’s pool as defined in §51.1-124.3, <u>Code of Virginia</u>.</p> <p>Prior to July 1, 2002, DOE made 100 percent of this payment directly to VRS on behalf of school divisions. This payment will now be made to VRS by school divisions. Consequently, DOE will no longer make any payments for the retiree health care credit to VRS.</p>	

**Salary Supplement Funding**

***Senate*** - Reduces funding by \$28.4 million in fiscal year 2003 and \$49.0 million in fiscal year 2004 (continuation funding) by eliminating the 2.0 percent salary increase that was to be effective December 1, 2002.

***House*** - Instead of the 2.0 percent increase that was to be effective December 1, 2002, the House provides a 2.75 percent teacher salary increase effective December 1, 2003, for a reduction of \$28.4 million in fiscal year 2003 and a net reduction of \$18.9 million in fiscal year 2004. The 2.75 percent salary increase is contingent on the official state revenue estimate for fiscal years 2003 and 2004 not being revised downward, in which case the funds would be used for a revenue reserve. This is consistent with proposed salary increases for state employees, state-supported local employees, and higher education faculty. Please note that salary supplement funding is not included in the entitlement sheets contained in Attachment E or the calculation tool at this time. The distribution, should it occur, is shown separately in Attachment G of Informational Superintendent’s Memorandum No. 26 dated February 22, 2002.

***Final Action (Conference Report) – Reduces funding by \$28.4 million in fiscal year 2003 and \$49.0 million in fiscal year 2004 (continuation funding) by eliminating the 2.0 percent salary increase that was to be effective December 1, 2002. Funding of \$101.4 million was appropriated to a reserve account to be used in fiscal year 2004 to provide a compensation increase for state employees, state-supported employees, higher education faculty, and public school employees, including instructional and support personnel funded through the Standards of Quality. Please note that salary supplement funding is not included in the entitlement sheets contained in Attachment C or the calculation tool at this time. The reserve account appropriation does not set out the amount, type, or effective date of the proposed compensation increase in fiscal year 2004.***

### **SOL Teaching Materials**

***Senate*** - Reduces funding by \$3.2 million in each year by eliminating the \$5 per pupil that was included in the Governor's introduced budget.

***House*** - Same as Senate.

***Final Action (Conference Report) – Adopts the Senate and House proposals.***

### **SOL Teacher Training**

***Senate*** - Reduces funding by \$7.6 million in fiscal year 2003 and \$7.7 million in fiscal year 2004 by providing only the state share of funding based on the composite index. This program was previously funded based on a 100 percent state share of \$15 per pupil.

***House*** - Reduces funding by \$17.3 million in fiscal year 2003 and \$17.4 million in fiscal year 2004 by eliminating state funding for the program.

***Final Action (Conference Report) – Adopts the House proposal.***

### **School Health Incentive Fund, Maintenance Supplement, Truancy, Dropout Prevention, Additional Teachers, Reading Recovery, and Software Rights**

***Senate*** - No action taken

***House*** - Eliminates state funding for each of these programs by reducing \$1.7 million each year for School Health Incentive Fund, \$9.6 million in fiscal year 2003 and \$9.7 million in fiscal year 2004 for Maintenance Supplement, \$2.2 million each year for Truancy, \$11.0 million each year for Dropout Prevention, \$28.6 million in fiscal year 2003 and \$28.5 million in fiscal year 2004 for Additional Teachers, \$141,581 each year for Reading Recovery, and a net \$57,588 each year for Software Rights. Funding for each of these programs would be eliminated under this proposed change.

***Final Action (Conference Report) – Reduces state funding for Dropout Prevention by seven percent (\$767,972) in fiscal year 2003 and eight percent (\$877,684) in fiscal year 2004. Eliminates \$9.6 million in fiscal year 2003 and \$9.7 million in fiscal year 2004 for Maintenance Supplement, \$2.2 million each year for Truancy, \$28.6 million in fiscal year 2003 and \$28.5 million in fiscal year 2004 for Additional Teachers, \$141,581 each year for Reading Recovery, and a net amount of \$57,588 each year for Software Rights. No reductions were made to the School Health Incentive Fund.***

### **At-Risk Add-On**

***Senate*** - No action taken.

***House*** - Reduces funding by \$12.9 million in fiscal year 2003 and by \$12.8 million in fiscal year 2004 by reducing the maximum add-on weight used in calculating the distribution of the At-Risk Add-On program. The top add-on weight is reduced from 12 percent to 8 percent in fiscal year 2003 and from 12 percent to 7.75 percent in fiscal year 2004.

***Final Action (Conference Report) – Reduces state funding for At-Risk by seven percent (\$3.1 million) in fiscal year 2003 and eight percent (\$3.7 million) in fiscal year 2004. School division entitlements will be prorated at 93 percent in fiscal year 2003 and 92 percent in fiscal year 2004. Please note that At-Risk payments are also affected by changes in Basic Aid resulting from fringe benefit rate changes, inflation adjustments, and the increases related to funding for the Tier 1 recommendations of the Joint Legislative Audit and Review Commission.***

### **Adult Literacy**

***Senate*** - No action taken.

***House*** - Reduces funding by \$1.3 million in each year for Adult Literacy.

***Final Action (Conference Report) – Adopts the Senate proposal. No action was taken to change the amounts contained in the Governor’s Introduced budget.***

### **State-Operated Programs (Hospitals, Clinics, and Detention Homes)**

***Senate*** - No action taken.

***House*** - Reduces funding by \$279,020 in fiscal year 2003 and \$292,051 in fiscal year 2004 to reflect a technical reduction to the appropriation for state-operated programs.

***Final Action (Conference Report) – Adopts the House proposal.***

**Virginia Guaranteed Assistance Program (VGAP)**

*Senate* - Reduces funding by \$450,000 by eliminating state funding for Achievable Dream.

*House* - Reduces funding by \$780,000, leaving state funding for Achievable Dream only.

***Final Action (Conference Report) – Eliminates all state funding in both years for this program by adopting both the Senate and the House proposals.***

**School/Community Health Center Pilots, Student Exchange Program, Blue Ridge Regional Program, Elementary Alternative Education Pilots, and Jobs for Virginia Graduates**

*Senate* - Eliminates \$1.5 million each year for the School/Community Health Center Pilots, \$10,000 each year for the Student Exchange Program, \$50,000 each year for the Blue Ridge Regional Program, \$60,000 each year for Elementary Alternative Education Pilots, and \$325,000 each year for Jobs for Virginia Graduates. Funding for each of these programs would be eliminated under this proposed change.

*House* - Same as Senate.

***Final Action (Conference Report) – Adopts the Senate and House proposals.***

**Project ECOLE, Hampton Roads Consortium, and William King Regional Arts Center**

*Senate* - No action taken.

*House* - Eliminates \$50,000 each year for Project ECOLE, \$55,000 each year for the Hampton Roads Public Education Regional Consortium, and \$115,000 each year for the William King Regional Arts Center. Funding for each of these programs would be eliminated under this proposed change.

***Final Action (Conference Report) – Eliminates \$50,000 each year for Project ECOLE and \$55,000 each year for the Hampton Roads Public Education Regional Consortium. Funding for each of these programs would be eliminated under this proposed change. Funding for the William King Regional Arts Center was not reduced.***

**Project Discovery, Western Virginia Public Education Consortium, and Small Division Assistance Grants**

*Senate* - No action taken.

*House* - Reduces state funding for Project Discovery in each year by 50 percent, or \$542,877, and reduces state funding for the Western Virginia Public Education Consortium by \$50,000

each year. Eliminates \$200,000 each year for the small division assistance grant to Norton and reduces Highland County's allocation by 50 percent or \$100,000.

***Final Action (Conference Report) – Reduces state funding for Project Discovery by seven percent (\$76,003) in fiscal year 2003 and eight percent (\$86,860) in fiscal year 2004 and reduces state funding for the Western Virginia Public Education Consortium by \$50,000 each year. No reductions were made to the small division assistance grants.***

### **Clinical Faculty/Mentor Teacher Programs**

**Senate** - Reduces by half the funding for the Clinical Faculty and Mentor Teacher programs for a savings of \$687,500 each year of the biennium.

**House** - No action taken.

***Final Action (Conference Report) – Adopts the House proposal. No action taken. The amounts contained in the Governor's Introduced budget are not changed.***

### **Literary Fund**

**Senate** - No action taken.

**House** - Replaces \$2.8 million in general funds in fiscal year 2003 and \$3.0 million in general funds in fiscal year 2004 with Literary Fund revenues to be used for teacher retirement. This action only affects the source of funding for retirement payments and would not affect division entitlements in either year. This action is possible due to the anticipated additional revenues that will be deposited to the Literary Fund pursuant to HB 606.

***Final Action (Conference Report) – Replaces \$4.7 million in general funds in fiscal year 2003 and \$4.7 million in general funds in fiscal year 2004 with Literary Fund revenues to be used for teacher retirement. This action only affects the source of funding for retirement payments and does not affect division entitlements in either year. This action results from the anticipated additional revenues that will be deposited to the Literary Fund pursuant to HB 606.***

### **Update for Inflation Data**

**Senate** - Reduces funding by \$22.1 million in fiscal year 2003 and \$22.3 million in fiscal year 2004 by updating the inflation factors used in the SOQ funding formula based on third quarter 2001 inflation data. The accounts affected by this change are: Basic Aid, Textbooks, Enrollment Loss, At-Risk, Additional Teachers, ESL, and Alternative Education.

**House** - Same as Senate.

***Final Action (Conference Report) – Reduces funding by \$33.3 million in fiscal year 2003 and \$33.5 million in fiscal year 2004 by updating the inflation factors used in the SOQ funding formula based on fourth quarter 2001 inflation data. The accounts affected by this change are: Basic Aid, Textbooks, Enrollment Loss, At-Risk, Additional Teachers, ESL, and Alternative Education.***

### **Recognize Additional Lottery Proceeds, Including Basic Aid Offset**

***Senate*** - Provides an additional \$9.9 million in lottery proceeds in fiscal year 2003 and \$10.0 million in fiscal year 2004. After deducting the portion of these proceeds that are dedicated to basic aid (based on the average state share using the composite index), the remaining amount that will be distributed directly to localities in each year is \$4.1 million. Lottery proceeds will be distributed to localities in fiscal year 2003 based on the state share of \$202.94 per pupil and in fiscal year 2004 based on the state share of \$201.84 per pupil.

***House*** - Provides an additional \$9.0 million in lottery proceeds in fiscal year 2003 and \$5.5 million in fiscal year 2004. 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 2003 is \$3.6 million and \$2.2 million in fiscal year 2004. Lottery proceeds will be distributed to localities in fiscal year 2003 based on the state share of \$201.63 per pupil and in fiscal year 2004 based on the state share of \$198.33 per pupil.

***Final Action (Conference Report) – Provides an additional \$9.9 million in lottery proceeds in fiscal year 2003 and \$10.0 million in fiscal year 2004. After deducting the portion of these proceeds that are dedicated to basic aid (based on the average state share using the composite index), the remaining amount that will be distributed directly to localities in each year is \$3.6 million. Lottery proceeds will be distributed to localities in fiscal year 2003 based on the state share of \$202.18 per pupil and in fiscal year 2004 based on the state share of \$201.08 per pupil.***

### **Remedial Summer School**

***Senate*** - No action taken.

***House*** - Reduces funding by \$900,000 in fiscal year 2004 for projected non-participation. Please note that the school division entitlement sheets shown in Attachment E reflect the full formula-based entitlement. This amendment is intended to capture savings from projected non-participation. It is not intended to reduce actual entitlements. In the event that entitlements from actual participation exceed the available appropriation, payments to school divisions may have to be prorated on a statewide basis if supplemental funding is not provided.

***Final Action (Conference Report) – Adopts the House proposal. Language is also added to permit maximum flexibility in the use of these funds to include intercession periods in the case***

*of year-round schools and also to permit funds to be used in conjunction with other sources of state funding for remediation.*

### **Update K-3 Primary Class Size Reduction Program**

**Senate** - Provides an additional \$649,976 in fiscal year 2003 and \$496,977 in fiscal year 2004 based on updates to free lunch eligibility, the composite index, fall membership projections, and fringe benefit rates.

**House** - Provides an additional \$649,976 in fiscal year 2003 and \$496,977 in fiscal year 2004 based on updates to free lunch eligibility, the composite index, fall membership projections, and the VRS instructional retirement rate. In addition, reduces funding by \$1.2 million in fiscal year 2003 and \$1.0 million in fiscal year 2004 for projected non-participation. This amendment is intended to capture savings from projected non-participation. It is not intended to reduce actual entitlements. In the event that entitlements from actual participation exceed the available appropriation, payments to school divisions may have to be prorated on a statewide basis if supplemental funding is not provided. Please note that the school division entitlement sheets shown in Attachment E of Informational Superintendent's memorandum No. 26, dated February 22, 2002, reflect the full formula-based entitlement.

***Final Action (Conference Report) – Adopts the House proposal.***

### **Participation Savings in the At-risk Four-Year Old Program**

**Senate** - Reduces funding by \$1.5 million in fiscal year 2003 and \$3.0 million in fiscal year 2004 for projected non-participation. This amendment is intended to capture savings from projected non-participation. It is not intended to reduce actual entitlements. In the event that entitlements from actual participation exceed the available appropriation, payments to school divisions will be prorated on a statewide basis. Please note that the school division entitlement sheets shown in Attachment D of Informational Superintendent's memorandum No. 26, dated February 22, 2002, reflect the full formula-based entitlement.

**House** - Reduces funding by \$1.5 million in fiscal year 2004 for projected non-participation. This amendment is intended to capture savings from projected non-participation. It is not intended to reduce actual entitlements. In the event that entitlements from actual participation exceed the available appropriation, payments to school divisions will be prorated on a statewide basis. Please note that the school division entitlement sheets shown in Attachment D of Informational Superintendent's memorandum No. 26, dated February 22, 2002, reflect the full formula-based entitlement.

***Final Action (Conference Report) –Reduces funding by \$1,435,307 in fiscal year 2003 and \$2,935,307 in fiscal year 2004 for projected non-participation and technical updates to the program. These amounts include reductions of \$1.5 million in fiscal year 2003 and \$3.0 million in fiscal year 2004 for projected non-participation and an additional \$64,693 each***

*year for technical corrections to the data used in the funding formula for Amherst, Westmoreland, and Colonial Beach's At-Risk Four Year Old programs.*

### **School Construction Grants**

*Senate* - Restores \$27.5 million in fiscal year 2003 and \$27.5 million in fiscal year 2004, including related language. Funding would be provided based on a \$100,000 "floor" payment to each school division, with the remainder of funding distributed on a prorata basis using prior year ADM weighted for the composite index.

*House* - No action taken.

*Final Action (Conference Report) – Adopts the Senate proposal.*

### **Update Governor's Schools**

*Senate* - Provides an additional \$178,656 in fiscal year 2003 and \$409,949 in fiscal year 2004 to address a shortfall in summer residential programs, continued funding for a summer residential agricultural school, update enrollment, and fund anticipated enrollment at the new Massanutten and Piedmont schools.

*House* - In addition to making the same changes as the Senate, the House reduces the funded per pupil amount for the academic year Governor's Schools based on the proposed reduction in the Basic Aid per pupil amount due to applying third quarter 2001 inflation data and funded fringe benefit rates. This action reduces funding by \$65,511 in fiscal year 2003 and \$67,704 in fiscal year 2004. The total per pupil amounts for the academic year Governor's Schools are reduced from \$3,449 to \$3,418 in fiscal year 2003 and from \$3,451 to \$3,420 in fiscal year 2004.

*Final Action (Conference Report) – Adopts the Senate and House proposals. In addition to making the same changes as the Senate, the Conference amendment reduces the funded per pupil amount for the academic year Governor's Schools based on the proposed reduction in the Basic Aid per pupil amount due to applying fourth quarter 2001 inflation data and funded fringe benefit rates. This action reduces funding by \$88,758 in fiscal year 2003 and \$91,732 in fiscal year 2004. The total per pupil amounts for the academic year Governor's Schools are reduced from \$3,449 to \$3,410 in fiscal year 2003 and from \$3,451 to \$3,412 in fiscal year 2004.*

### **Update VPSA Technology Distributions (NGF)**

*Senate* - Provides an additional \$208,000 in VPSA technology note proceeds in fiscal years 2003 and 2004 based on eight additional schools being included in the funding distribution.

*House* - Same as Senate.

*Final Action (Conference Report) – Adopts the Senate and House proposals, which distribute an additional \$208,000 in VPSA technology note proceeds for an additional eight schools at \$26,000 per school. An additional \$50,000 was provided for Alleghany County pursuant to the provisions of § 15.2-1302, Code of Virginia, which represents the division allocation Clifton Forge would have received prior to its consolidation with Alleghany County.*

#### **Advancement Via Individual Determination (AVID)**

*Senate* - Reduces funding in fiscal year 2003 by \$45,000 for a program that is no longer operating. Provides an additional \$2,276 in fiscal year 2004 by reducing funding by \$45,000 for a program that is no longer operating and adding \$47,276 for program expansions.

*House* - Eliminates all state funding in both years for this program.

*Final Action (Conference Report) – Adopts the House proposal.*

#### **Alternative Education**

*Senate* - Reduces funding by \$269,012 in fiscal year 2003 and \$191,675 in fiscal year 2004 to reflect final salaries and fringe benefits used in the per pupil cost for the program.

*House* - No action taken.

*Final Action (Conference Report) – Adopts the Senate proposal.*

#### **Phase-out the Deduction of Prevailing Local Revenue from Basic Aid**

*Senate* - No action taken.

*House* - This action reflects the cost of phasing out the current practice of deducting prevailing locally generated revenues from the Basic Aid cost calculation as recommended by the Joint Legislative Audit and Review Commission report *Review of Elementary and Secondary School Funding*. This amendment provides additional funding for approximately half of the cost in fiscal year 2003 at \$24.7 million, and the full amount in fiscal year 2004 at \$49.7 million. This action affects: Basic Aid, Enrollment Loss, At-Risk, and Alternative Education.

*Final Action (Conference Report) – Adopts an amended version of the House proposal, which reflects the cost of phasing out the current practice of deducting prevailing locally generated revenues from the Basic Aid cost calculation as recommended by the Joint Legislative Audit and Review Commission report *Review of Elementary and Secondary School Funding*. This amendment provides additional funding to restore approximately half of the cost in fiscal year 2003 at \$24.9 million and the full amount in fiscal year 2004 at \$50.0 million. This action affects: Basic Aid, Enrollment Loss, At-Risk, and Alternative Education.*

### **Restore Administrative Position Costs**

*Senate* - No action taken.

*House* - Provides an additional \$24.9 million in fiscal year 2003 and \$65.0 million in fiscal year 2004 for a portion (approximately 34 percent in the first year and 90 percent in the second year) of the state share of the prevailing cost of certain administrative support positions, as recommended by the Joint Legislative Audit and Review Commission report *Review of Elementary and Secondary School Funding*. This action affects: Basic Aid, Enrollment Loss, At-Risk, and Alternative Education.

***Final Action (Conference Report) – Adopts the House proposal, which provides an additional \$4.1 million in fiscal year 2003 and \$54.2 million in fiscal year 2004 for a portion (approximately 5.8 percent in the first year and 72.0 percent in the second year) of the state share of the prevailing cost of certain administrative positions, as recommended by the Joint Legislative Audit and Review Commission report Review of Elementary and Secondary School Funding. This action affects: Basic Aid, Enrollment Loss, At-Risk, and Alternative Education.***

### **Early Reading Intervention Program**

*Senate* – Added language to SB 30 so that incentive payments will continue to be based on the weights used in fiscal year 2001.

*House* - Same as Senate.

***Final Action (Conference Report) – Adopts the Senate and House proposals.***

### **Remediation Programs Block Grant Language**

*Senate* - Restores language not included in the introduced budget providing flexibility in the use of SOQ Remediation and SOL Remediation funds. Please note that the Remedial Summer School program is not included in this language.

*House* - Same as Senate

***Final Action (Conference Report) – Adopts the Senate and House proposals.***

### **School-to-Work Program**

*Senate* - Eliminates general fund support of \$75,000 for the federal School-to-Work program.

*House* - Same as Senate.

***Final Action (Conference Report) – Adopts the Senate and House proposals.***

**Halifax County Composite Index Under Consolidation Hold Harmless Provision**

***Final Action (Conference Report) – Provides an additional \$4.1 million in fiscal year 2003 and \$4.2 million in fiscal year 2004 to provide state funding to Halifax County using the composite index calculated under a hold harmless provision for school division consolidations.***

LANGUAGE AMENDMENTS

**Private Activity Bond Authority**

*Senate* - Language allows the Secretary of Education to authorize the use of an allocation of the Commonwealth's portion of tax-exempt private activity bond authority, which is available under federal law. The purpose of the allocation of this bond authority is the development of education facilities using public-private partnerships.

*House* - No action taken.

***Final Action (Conference Report) – Adopts the Senate proposal.***

**Literary Fund Loan Rates for Consolidated Divisions**

*Senate* - Language specifies that if the composite index of a consolidated division is reduced during the course of a fifteen year period following the consolidation to a level that would entitle the division to a lower interest rate for a Literary Fund loan than when it was originally released, the Board of Education must reduce the rate for the remainder of the period of the loan.

*House* - No action taken.

***Final Action (Conference Report) – Adopts the Senate proposal.***

**Required Local Effort Language**

*Senate* - No action taken.

*House* - Language requires the Department of Education to collect the necessary data to make required calculations at the start of the school year to ensure that a school division has appropriated adequate funds to support its estimated required local expenditure as well as make calculations at the close of the school year to verify that the level was met.

***Final Action (Conference Report) – Adopts the House proposal.***