

## **Proposed Amendments by the Senate and House of Delegates to the Governor's Introduced Budget (HB 1400/SB 700)**

**(Please Note: HB 1400 and SB 700 are the Governor's introduced budget against which the House of Delegates and the Senate made changes. Unless changes are specifically noted in the House and Senate actions, Governor Warner's proposals contained in the introduced version of HB 1400 and SB 700 were adopted.)**

### **DIRECT AID TO PUBLIC EDUCATION BUDGET**

#### **Technical Adjustments to Existing Programs**

##### **Update ADM and Fall Membership**

*Governor's Introduced Budget* – Includes the funding required to cover the cost of revised projections of March 31, 2003, and March 31, 2004, Average Daily Membership (ADM). Projected ADM was originally forecast by the Department of Education based on September 30, 2001, Fall Membership. The projections have been revised based on September 30, 2002, Fall Membership. On a statewide basis, these projections are 3,459 students higher in fiscal year 2003 and 6,904 students higher in fiscal year 2004 than the original projections contained in Chapter 899, 2002 Acts of Assembly (2002 Appropriation Act). In addition, all accounts that are allocated on the basis of Fall Membership have been updated. The updates result in an estimated increase in Direct Aid payments of \$13.0 million in fiscal year 2003 and \$25.4 million in fiscal year 2004.

*Senate* – No action taken.

*House* – No action taken.

##### **Update Triennial School Census Data**

*Governor's Introduced Budget* – In accordance with the provisions of sections 22.1-281 through 22.1-286, *Code of Virginia*, and the Appropriation Act, data related to the 2002 triennial school census have been collected by the Department of Education. The triennial census data are used to distribute estimated sales tax as part of the Basic Aid formula. In addition, the actual cash distribution of the one percent sales tax for public education is based on a prorated distribution using the triennial census counts. The 1999 census results will be used for distributing sales tax through December 31, 2002, while the new 2002 triennial census data will be used for the distribution of sales tax funding beginning in January 2003 through the end of the fiscal year.

For fiscal year 2003, the estimated sales tax allocation used in the Basic Aid formula is based on averaging the 1999 and 2002 triennial census counts. As required by the Basic Aid formula, Basic Aid payments have been revised to offset changes in the distribution of the sales tax revenues by locality, driven by a combination of the census data and each division's composite index of local ability-to-pay. The 2002 triennial census update results in a net increase statewide

in Basic Aid funding of \$3.7 million in fiscal year 2003 and \$7.7 million in fiscal year 2004, due to the offset. Accounts affected are Basic Aid and Enrollment Loss. The actual effect of the revised census will vary by locality based on the changes in each locality and how these differences compare to the statewide change.

*Senate* – Subsequent to the submission of the Governor’s introduced budget on December 20, 2002, Fairfax County and Fairfax City submitted corrected 2002 triennial census data. These corrections result in a state savings of \$1.4 million in fiscal year 2003 and \$2.8 million in fiscal year 2004. The corrections result in a downward revision in the number of school-aged children in these two localities, which lowers their sales tax distribution. The sales tax distribution for all other divisions increases. Basic Aid and Enrollment Loss funding have been adjusted for each school division to reflect the changes in sales tax revenues.

*House* – Action identical to that of the Senate.

### **Update Sales Tax Projections**

*Governor’s Introduced Budget* – The projected sales tax entitlements reflect the most recent estimate of the one percent sales tax, as computed by the Department of Taxation. The Department of Taxation projects revenues of \$790.0 million in fiscal year 2003 and \$824.6 million in fiscal year 2004. The new projections are \$9.8 million lower in fiscal year 2003 and \$26.0 million lower in fiscal year 2004 than the projections contained in Chapter 899, 2002 Acts of Assembly. As required by the Basic Aid formula, state Basic Aid payments have been increased to offset a portion (determined by each division’s composite index of local ability-to-pay) of the reduced sales tax revenues that were projected. In addition, the local share of Basic Aid increases due to the reduced sales tax estimate.

*Executive Amendment* – In January of 2003, the Governor proposed an Executive Amendment to increase the estimated sales tax distribution in fiscal year 2004 by \$4.5 million, with an offsetting reduction to Basic Aid and Enrollment Loss of \$2.5 million.

*Senate* – Increases estimated sales tax by \$5.3 million in fiscal year 2004. An offsetting reduction to Basic Aid and Enrollment Loss funding totaling \$3.0 million in fiscal year 2004 results from this change.

*House* – Accepts Governor’s Executive Amendment.

### **Update Lottery Profits Forecast**

*Governor’s Introduced Budget* – Provides an additional \$71.8 million in fiscal year 2003 and \$41.3 million in fiscal year 2004 in Lottery proceeds over the projections contained in Chapter 899, 2002 Acts of Assembly. These amounts include the state share used to offset Basic Aid costs and the local share. The additional Lottery proceeds projected for fiscal year 2003 are based on carryover funds from fiscal year 2002, which will be distributed separately in fiscal year 2003 as an Additional Lottery account, and additional Lottery revenues projected for fiscal year 2003. The additional Lottery proceeds for fiscal year 2004 reflect additional revenues

projected for that year. Statewide, the local share of these additional Lottery proceeds totals \$28.3 million in fiscal year 2003 and \$16.3 million in fiscal year 2004.

The total local share of Lottery proceeds that will be distributed directly to localities in fiscal year 2003 is \$158.2 million, which includes \$15.0 million that will be paid as Additional Lottery proceeds. In fiscal year 2004, the local distribution is estimated at \$146.2 million. The base per pupil amounts will change from \$202.18 to \$221.75 in fiscal year 2003 and from \$201.08 to \$224.23 in fiscal year 2004. The Additional Lottery profits, estimated at \$15.0 million in fiscal year 2003 only, will be distributed based on the state share of \$23.30 per pupil.

*Senate* – Directs that \$8.1 million of the local Lottery distribution in fiscal year 2004 be used to partially fund a two percent teacher salary supplement, effective January 1, 2004.

*House* – No action taken.

### **Update Payment Projections for Recent Test Score Data**

*Governor's Introduced Budget* – Funding for the SOL Algebra Readiness Program and for the Early Reading Intervention Program are based in part on test score data. The number of eligible students for the SOL Algebra Readiness program is determined based the number of students in grades seven and eight (updated for Fall Membership) multiplied by the percent of students in each division that failed the eighth grade mathematics Standards of Learning (SOL) test. The percentages of students failing the eighth grade mathematics SOL test on the Spring 2002 administration were lower on average than on the Spring 2001 administration used in the original Chapter 899 funding. Projected payments for fiscal years 2003 and 2004 have been revised based on Spring 2002 SOL test results, resulting in a decrease of \$450,725 in fiscal year 2003 and \$426,531 in fiscal year 2004. Also, please note that language in Chapter 899 related to the use of a state-provided diagnostic test has been removed because state funding for the test has been eliminated in fiscal year 2004.

Funding for the Early Reading Intervention program is based, in part, on the number of eligible students as determined by the percentage of students in need of services on the Phonological Awareness Literacy Screening (PALS). Based on the latest available PALS data from the Fall of 2001 and the Spring of 2002, estimated payments decreased by \$3.4 million in fiscal year 2003 and by \$2.4 million in fiscal year 2004. The original funding projections contained in Chapter 899 were based on a greater reliance on free lunch eligibility data as the funding criteria in the absence of PALS data. Due to the combination of greater availability of PALS data and changes in the number of eligible students based on updates to Fall Membership, funding for the Early Reading Intervention program decreases in each year of the biennium.

*Senate* – Reduces funding based upon an estimated savings of \$277,196 in fiscal year 2004 for the SOL Algebra Readiness program based on an estimated one percent improvement in eighth grade math SOL scores in the Spring 2003 administration. For the Early Reading Intervention program, reduces funding based upon the assumption that the number of students needing services (based on updated PALS assessment data) will decrease by one percent for a savings of \$487,664 in fiscal year 2004. (These amendments are intended to capture anticipated savings

from projected non-participation. They are 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 entitlements shown in Attachments B and C and in the Excel calculation tool reflect projected full funding to school divisions for these two accounts based on the most current test data rather than projected test results.)

*House* – Assumes a projected non-participation savings of \$48,635 in fiscal year 2004 for the Early Reading Intervention program.

### **Use of Literary Fund Monies**

*Governor's Introduced Budget* – Replaces \$22.1 million in general funds in fiscal year 2003 and \$40.0 million in general funds in fiscal year 2004 with Literary Fund revenues to be used for VRS retirement and Social Security payments. This action only affects the source of funding for these payments and will not affect division entitlements in either year of the biennium. In addition, budget language has been modified to eliminate the interest rate subsidy program provided by the Virginia Public School Authority (VPSA) in fiscal year 2004. The \$20.0 million in Literary Fund revenues set aside for this program in the second year is part of the \$40 million increase in Literary Funds used to fund VRS retirement and Social Security payments in fiscal year 2004.

*Senate* – Directs that additional deposits to the Literary Fund (from fines and monetary penalties assessed under the Global Settlement Agreement) be appropriated to Direct Aid to offset general fund support for VRS retirement and Social Security payments. The released general funds would then be transferred to the Global Settlement Fund. This action only affects the source of funding for VRS retirement and Social Security payments and will not affect school division entitlements.

*House* – Restores \$8.0 million in general funds in fiscal year 2004 as a source of funding for teacher retirement, replacing \$8.0 million in Literary Fund revenue (allowing this revenue to go back to the fund). Also, partially restores the VPSA interest rate subsidy program for school construction in fiscal year 2004 (scheduled for Fall 2003), at \$12.0 million. The subsidy program, which is funded from the Literary Fund, is restored because of increased revenues that are projected from the Global Settlement Agreement and from proposed legislative changes to increase fine and monetary penalty deposits to the Literary Fund.

### **Participation Savings**

*Governor's Introduced Budget* – Assumes participation savings in fiscal year 2004 from the Remedial Summer School program, the K-3 Primary Class Size Reduction program, and the At-Risk Four Year-Olds program. In fiscal year 2004, funding for the Remedial Summer School program is reduced by \$425,804, funding for the K-3 Primary Class Size Reduction program is reduced by \$635,252, and funding for the At-Risk Four Year-Olds program is reduced by \$3.3 million. Please note that the school division entitlement sheets shown in Attachments B and in the Excel calculation tool reflect the full formula-based entitlements for these programs. This

amendment is intended to capture anticipated 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.

*Senate* – Captures participation savings of \$69,735 for the K-3 Class Size Reduction program in fiscal year 2003 based upon actual participation rates. Increases the At-Risk Four Year-Olds program funding in fiscal year 2003 by \$69,725 for the participation of Warren County. Increases funding for the Remedial Summer School program by \$78,331 in fiscal year 2004 for the participation of the City of Winchester.

*House* – Action identical to that of the Senate.

### **Update for Inflation Data**

*Governor's Introduced Budget* – Inflation factors used in the SOQ funding formula were updated based on second quarter 2002 data. This action reduces state funding by \$1.6 million in fiscal year 2003 and by \$1.5 million in fiscal year 2004. The accounts affected by this change are Basic Aid, Enrollment Loss, At-Risk, and Alternative Education.

*Senate* – No action taken.

*House* – No action taken.

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

*Governor's Introduced Budget* – Funding for the academic year Governor's Schools was reduced by \$503,972 in fiscal year 2003 to reflect enrollment as of September 30, 2002, and the delayed opening of the Massanutten Governor's School, which is now scheduled to open in the Fall of 2003. Funding in fiscal year 2004 for the academic year Governor's schools did not change.

*Senate* – Adjusts enrollment for the New Horizons Governor's school to reflect the inclusion of students from Isle of Wight (in both years) and to adjust for a shift in students from Williamsburg to James City County (in fiscal year 2004 only). This change increases funding by \$19,542 in fiscal year 2003 and by \$32,478 in fiscal year 2004. The Senate also increases the enrollment funding cap for Governor's Schools from 1,275 students to 1,300 students for fiscal year 2004. This change increases funding by \$21,171 in fiscal year 2004 and affects only Thomas Jefferson High School for Science and Technology. Also, adds language stating that Fairfax County Public Schools shall not reduce local per pupil funding for Thomas Jefferson below the amounts appropriated for the 2001-2002 school year.

*House* – Adjusts enrollment in the New Horizons Governor's school to reflect the inclusion of students from Isle of Wight (in fiscal year 2003 only) and to adjust for a shift in students from Williamsburg to James City County (for fiscal year 2004 only). This change increases funding by \$19,542 in fiscal year 2003 and by \$4,232 in fiscal year 2004.

## **Update for Special Education Categorical Programs**

*Governor's Introduced Budget* – Funding for regional special education program tuition was increased by \$150,000 in fiscal year 2003 and by \$300,000 in fiscal year 2004 because Stafford County will begin to participate in the Northern Virginia Regional Program. In addition, funding for the provision of education services in state-operated programs is decreased by \$946,700 in fiscal year 2003 and by \$362,867 in fiscal year 2004. These decreases reflect adjustments for updated enrollment data. Also, payments related to the special education homebound program in fiscal year 2003 were less than what was budgeted in Chapter 899, resulting in a savings of \$30,471.

*Executive Amendment* – In January of 2003, the Governor proposed an Executive Amendment to correct a payment error related to the special education Homebound reimbursement to Washington County for fiscal year 2003, resulting in increased funding of \$49,625.

*Senate* – Accepts the Governor's Executive Amendment and captures savings from a technical correction to the State-operated programs account in the amount of \$449,810 in fiscal year 2004.

*House* – Action identical to that of the Senate.

## **Update Technology Programs for Schools Reported in Fall Membership**

*Governor's Introduced Budget* – Based on September 30, 2002, Fall Membership data, the number of schools eligible for funding under the Virginia Public School Authority (VPSA) technology grants (supporting the SOL Web-based Technology Initiative) and the Technology Resource Assistants program has changed. Funding for the VPSA technology grant program has been reduced by \$242,000 in fiscal year 2003 and by \$60,000 in fiscal year 2004 based on a reduction in the number of reported schools. For the Technology Resource Assistants program, the amount of general funds increased by \$69,882 in both years based on four additional high schools reported in Fall Membership.

*Senate* – No action taken.

*House* – No action taken.

## **Update Direct Grants**

*Governor's Introduced Budget* – Various direct grant programs have been reduced by fifteen percent in both years based on actions by Governor Warner in October of 2002. The reductions are as follows:

<u>Program</u>	<u>FY 03</u> <u>Reduction</u>	<u>FY 04</u> <u>Reduction</u>
Southwest Virginia Education Consortium	\$54,300	\$54,300
Project Discovery	\$151,463	\$149,834
Southside Virginia Regional Technology Consortium	\$32,250	\$32,250
Western Virginia Public Education Consortium	\$11,250	\$11,250
Virginia Career Education Foundation	\$11,966	Eliminated
William King Regional Arts Center	\$17,250	\$17,250
<b>Total Reduction</b>	<b>\$278,479</b>	<b>\$264,884</b>

*Senate* – No action taken.

*House* – Eliminates all funding for the above-mentioned programs in fiscal year 2004. However, fiscal year 2004 funding for the William King Arts Center (\$97,750) will be provided as a grant to a non-state agency, instead of as a grant through Direct Aid. Also, eliminates fiscal year 2004 funding, at \$400,000, for the Small School Division Assistance grant and for the Migrant Education grant, at \$300,000. Adds funding for Achievable Dream in fiscal year 2004 (at \$60,000) as a grant to a non-state agency.

The full House also adopted a floor amendment that adds language providing \$50,000 each to Highland County and to the City of Norton in fiscal year 2004. (This action was taken after the committee actions of February 2, 2003.)

### **Provide Student Achievement Grants**

*Governor's Introduced Budget* – The Governor's amended budget redirects funds from three existing programs in fiscal year 2004, to support the expansion of programs that are known to assist with closing the achievement gap and improving the academic success of students. Funds provided for this program must be used to support one or more of the following purposes:

1. reducing class sizes in grades kindergarten through three;
2. increasing services in the Early Reading Intervention program;
3. serving at-risk four-year-old students including those served by Title I programs; and
4. providing additional remediation to students who have failed or who are at-risk of failing the Standards of Learning tests.

School divisions participating in this program would be required to submit annual reports to the Department of Education, and all state funds would be matched with local funds based upon the composite index of local ability-to-pay.

Funding for the Student Achievement Grants program would be provided by redirecting funds from the current Dropout Prevention, School Health Incentive, and Technology Resource Assistants programs. Total available funding in fiscal year 2004 is estimated at \$16.9 million. Please note that the amount of funding that school divisions receive would not change with this program. Those same amounts from each of the three programs will be redirected to the Student Achievement Grants.

Any school division that chooses to continue using state funding in any of the original three programs, from which Student Achievement Grant funding is derived, must submit a written request for a waiver to the Superintendent of Public Instruction. This request must outline: (1) how such funds will be spent; (2) the type of students served; (3) the expected outcomes of the services provided; (4) the means by which program effectiveness will be evaluated; and (5) evidence of program success in prior years.

*Senate* – Amends language to include Dropout Prevention as one of the allowable uses of funding under the proposed Student Achievement Grants.

*House* – Amends language to use the funding proposed for the Student Achievement Grant program for the state share of a supplemental payment for increased health insurance premium costs in Basic Aid. This payment is to be considered as part of SOQ funding, and the required local match (based on the composite index) would be considered part of a division's required local effort. School divisions would receive the same level of state funding as proposed in the Student Achievement Grant contained in the Governor's introduced budget.

## **SOL Remediation**

*Governor's Introduced Budget* – Updated program costs based on new Fall Membership projections.

*Senate* – No action taken.

*House* – Language amendment removes the provision that allows SOL Remediation funding to be used as a block grant, without restrictions or reporting requirements. This change restores the annual reporting requirements for these funds established by the *Code of Virginia* (Title 22.1-199.2) and Board of Education regulation (8-VAC-20-630).

## **Teacher Compensation**

*Governor's Introduced Budget* – No action taken regarding teacher compensation.

*Senate* – Includes funding for a two percent salary supplement for SOQ instructional and support personnel, effective January 1, 2004, estimated to cost \$24.3 million in fiscal year 2004. Additional funding of \$16.2 million is provided in a reserve account for this purpose, to be combined with half of the additional Lottery profits projected in the introduced budget, estimated at \$8.1 million. School divisions are expected to use the additional Lottery revenues to provide the balance of state support needed for the salary increase. School divisions would be required to certify, no later than March 1, 2004, that salary increases of two percent for instructional and support personnel have been granted, effective January 1, 2004. Also adds language stating that the salary supplement amount may be decreased should there be a downward revision in the



general fund revenue forecast for fiscal year 2004. Because this salary supplement is contingent on the state general fund revenue forecast, funding is not shown in Attachments B and C or in the Excel calculation tool.

*House* – No action taken.

## DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

The actions proposed in Governor Warner's amended 2002-2004 biennial budget reduce the general fund appropriation for the DOE Central Office budget by \$2.6 million in fiscal year 2003 and by \$6.5 million in fiscal year 2004. General fund positions are reduced by 22 in fiscal year 2003 and by 34 in fiscal year 2004. The following proposed changes to the Central Office budget affect school divisions:

### **Close Best Practice Centers**

*Governor's Introduced Budget* – The Southside and Southwest centers will be closed, effective February 1, 2003. Seven positions will be eliminated.

*Senate* – Restores one general fund position that was eliminated by mistake in the introduced budget.

*House* – No action taken.

### **Capture Savings from Web-Based Testing Initiatives**

*Governor's Introduced Budget* – The number of SOL tests administered through the on-line system will be reduced in fiscal year 2004 based on projected school division participation in web-based test administration.

*Senate* – No action taken.

*House* – No action taken.

### **Eliminate Printing and Distribution of Public School Laws**

*Governor's Introduced Budget* – This publication is provided annually to school divisions. Access will now be made available through the Internet, resulting in general fund savings in both years of the biennium.

*Senate* – No action taken.

*House* – No action taken.

### **Eliminate Model SOL In-Service Training**

*Governor's Introduced Budget* – Funding for model teacher, principal, and superintendent training and in-service activities is eliminated in fiscal year 2003 and fiscal year 2004.

*Senate* – No action taken.

*House* – No action taken.

### **Defer Funding for Separate SOL History Tests**

*Governor's Introduced Budget* – For fiscal year 2004, funds will be eliminated for the administration of separate history tests for grades six, seven, and eight. School divisions will continue to administer a cumulative eighth grade history test for 2004, but separate history testing in grades six to eight will be administered starting in school year 2005.

*Senate* – No action taken.

*House* – Restores a reduction included in introduced HB 1400 and includes additional funding (for a total of \$2.8 million) for the development and administration of separate History SOL tests in grades six, seven, and eight in fiscal year 2004. Language in the Governor's introduced budget that overrides a *Code of Virginia* provision requiring the separate tests is removed.

### **Eliminate Diagnostic Test for Algebra Readiness Program**

*Governor's Introduced Budget* – The state will not provide this diagnostic test to local school divisions for use in identifying students for participation in the SOL Algebra Readiness program. School divisions will now have to determine student eligibility for this program using locally determined criteria.

*Senate* – No action taken.

*House* – Restores \$425,000 in fiscal year 2004 for the state-provided algebra readiness diagnostic test. Also restores language concerning the diagnostic test in the section of the Direct Aid budget establishing the SOL Algebra Readiness program.

### **Eliminate Stanford 9 Test**

*Governor's Introduced Budget* – State-funded administration of the Stanford 9 test will be discontinued in fiscal year 2004.

*Senate* – No action taken.

*House* – No action taken.

### **Require School Divisions to Pay Late Processing Fee for SOL Tests**

*Governor's Introduced Budget* – The department will no longer pay the processing fee resulting from late test submissions by school divisions.

*Senate* – No action taken.

*House* – No action taken.

### **Reduce Administrative Support for At-Risk Four-Year-Old Program**

*Governor's Introduced Budget* – Technical assistance provided by the department to school divisions and not-for-profit organizations will be reduced.

*Senate* – No action taken.

*House* – No action taken.

### **Provide Support for the Partnership for Achieving Successful Schools (PASS) Initiative**

*Governor's Introduced Budget* – For fiscal year 2004, an additional \$769,483 in general funds is provided to continue the PASS initiative. The first year of this initiative was funded with a one-time federal grant.

*Senate* – No action taken.

*House* – No action taken.

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

*Governor's Introduced Budget* – No action taken to change the level of funding provided in Chapter 899, 2002 Acts of Assembly.

*Senate* – No action taken.

*House* – Captures savings of \$165,000 in fiscal year 2003 for the actual number of teachers receiving bonuses and \$297,500 in fiscal year 2004 for a downward revision in the projected number of teachers eligible for bonuses.

### **Schools for the Deaf and Blind**

*Governor's Introduced Budget* – No action.

*Senate* – No action taken.

*House* – Adds language requiring the Board of Education and the Superintendent of Public Instruction to convene a task force to develop a plan for consolidating services for the deaf and/or blind and multi-disabled students served by Virginia's two schools. A plan must be submitted to the Governor and to the General Assembly by November 1, 2003.

### **Speech-Language Pathologists**

*Governor's introduced budget* – No action taken.

*Senate* – No action taken.

*House* – Includes language directing the Board of Education to consider the caseload standards for speech-language pathologists as part of the review of the Standards of Quality.