

**Summary of Governor Warner's Proposed Amendments to the
Fiscal Year 2004 Direct Aid to Public Education Budget
("Caboose Bill")**

- **Update Average Daily Membership (ADM)** - Projections of division unadjusted and adjusted average daily membership (ADM) for fiscal year 2004 are revised based on actual September 30, 2003, fall membership. On a statewide basis, these revised projections are a decrease in unadjusted ADM of 620 students from the projections on which fiscal year 2004 entitlements are currently based (as communicated in Administrative Superintendent's Memorandum Number 30, dated June 6, 2003). The ADM-based entitlements for fiscal year 2004 are recomputed based on these revised projections.
- **Update Fall Membership and other Program Enrollments** - Fiscal year 2004 Direct Aid entitlements that are based on fall membership or program enrollments (i.e., ESL student counts) are revised based on actual 2003 fall membership or actual program enrollments received to date. (Note: revisions to the K-3 Class Size Reduction Program have not been recalculated as of the date of this memorandum.)
- **Update Sales Tax Projections** - The Governor's amendments reflect the most recent estimate of the one percent sales tax revenue dedicated to public education for fiscal year 2004. The Department of Taxation's latest estimate of the one percent sales tax revenue is \$837.5 million for fiscal year 2004. This revised sales tax estimate is approximately \$7.6 million higher than the estimate of \$829.9 million contained in the current 2002-2004 appropriation act (Chapter 1042). As required by the Basic Aid funding formula, Basic Aid payments have been decreased to offset a portion of the increased sales tax revenues. The amount of the offset is determined by each division's composite index of local ability-to-pay. The state share of Basic Aid for fiscal year 2004 decreases approximately \$4.2 million due to the revised sales tax estimate.
- **Update Lottery Profits Forecast** - The revised forecast for Lottery profits for fiscal year 2004 is \$396.4 million, which is approximately \$25.0 million higher than originally projected for fiscal year 2004 in Chapter 1042. The increase is attributable to a revised Lottery profits forecast for fiscal year 2004 revenues.

The base per pupil amount for the local Lottery distribution in fiscal year 2004 changes from \$224.23 per pupil in adjusted

ADM (as communicated in Administrative Superintendent's Memorandum Number 30) to \$239.41 per pupil in adjusted ADM. This change in the per pupil amount is due to revisions in projected ADM as well as the revised Lottery profits forecast.

- **K-3 Primary Class Size Reduction Program** - For the purpose of this memorandum, the entitlements for the K-3 program contained in Attachment B are those that were communicated to you in Administrative Superintendent's Memorandum Number 30, dated June 6, 2003. Revised entitlements for the K-3 Primary Class Size Reduction program for fiscal year 2004 are in the process of being calculated by the Department of Education. These revised entitlements will reflect actual September 30, 2003, fall membership and approved participation levels for each school in the program. A superintendent's memorandum will be issued in January 2004 with details regarding the fiscal year 2004 payments for this program.
- **Update SOL Algebra Readiness Program for New Test Scores** - In addition to the revisions for actual fall membership, the fiscal year 2004 distribution for the SOL Algebra Readiness program is updated based on Spring 2003 Standards of Learning (SOL) test scores. This action results in a reduction of state funding in fiscal year 2004 of \$306,033.
- **Update Early Reading Intervention Program** - As required by the current appropriation act, the estimated number of students eligible for the Early Reading Intervention program in fiscal year 2004 is recalculated based on diagnostic data from the Phonological Awareness & Literacy Screening (PALS). PALS data reported by school divisions (for the fall of 2002 and the spring of 2003) are used as the measure in determining the estimated number of students in need of services. Where a division did not report PALS data for grades kindergarten, one, two, or three, free lunch eligibility data was used to calculate the estimated number of eligible students. This action results in an increase in state funding for fiscal year 2004 of \$726,377.
- **Update Governor's School Academic Year Enrollments** - Funding for the 17 academic year programs has been adjusted to reflect actual September 30, 2003, enrollment data. Please note that enrollments by division within each school are capped at the level projected in Chapter 1042. In addition, the budget for this program reflects no funding for the Massanutten Governor's School, since this program is not yet operational.

This action results in a reduction of state funding in fiscal year 2004 of \$792,827.

- **Increase Regional Tuition and Homebound Funding** - Additional funding of \$2.9 million is included for the regional tuition program, which reimburses school divisions for the cost of educating students participating in public regional special education programs. An increase of \$330,031 is also included for the Homebound program.
- **Capture Savings from At Risk Four-Year-Old Program** - Participation levels have been finalized for this program for fiscal year 2004, which provides preschool programs for at-risk four-year-olds unserved by another program. This action results in a savings of \$730,718 in fiscal year 2004.
- **Capture Savings from State-Operated Programs** - The department contracts with selected local school boards for the provision of educational services to children residing in state-operated or authorized hospitals, clinics, and detention homes. A savings of \$600,000 has resulted from actual contract costs that are lower than the projected costs contained in Chapter 1042.
- **Update Remedial Summer School Program** - This program has been updated for actual enrollment data from the summer of 2003, which was higher than the projection contained in Chapter 1042. This action results in an increase of \$527,282 in fiscal year 2004.