

**Summary of Budget Amendments to the Fiscal Year 2004
Budget as Introduced (HB/SB 29) and the 2004-2006
Biennial Budget as Introduced (HB/SB 30) Adopted by the
House of Delegates and by the Senate**

This document provides a summary of amendments to the fiscal year 2004 introduced budget (HB/SB 29) and the 2004-2006 introduced budget (HB/SB 30) that were recently adopted by the full membership of the House of Delegates and the Senate. The first section of the document summarizes the House and Senate amendments to the fiscal year 2004 budget as introduced (HB/SB 29). The second section summarizes the budget actions for the 2004-2006 introduced budget (HB/SB 30). This section shows the budget actions proposed by the Governor in his 2004-2006 introduced budget as communicated in Attachment A of Informational Superintendent's Memorandum No. 223, dated December 19, 2003, followed by the budget actions recently adopted by the full membership of the House of Delegates and the Senate.

**DIRECT AID TO PUBLIC EDUCATION BUDGET - Fiscal Year
2004 (HB/SB 29)**

- **Update Sales Tax Projections**

House: Increases the one percent sales tax estimate by \$16.7 million in fiscal year 2004 due to a revised forecast by the Department of Taxation. The Basic Aid off-set is \$9.3 million in fiscal year 2004 for a net increase in state funding to school divisions of \$7.4 million in fiscal year 2004.

Senate: Same as House amendment.

- **Carry forward Additional Lottery Proceeds for Distribution from Fiscal Year 2004 to Fiscal Year 2005**

House: Carries forward \$9.9 million in additional Lottery proceeds that were to be distributed to school divisions in fiscal year 2004 to fiscal year 2005 for distribution to divisions to support costs for No Child Left Behind

initiatives. Budget language requires that the funds be distributed to school divisions in fiscal year 2005 in the same manner as they would have been distributed in fiscal year 2004. Division superintendents would also have to certify that the funds would be used to support NCLB activities.

Senate: Accepts the Governor's recommendations and maintains the distribution of \$9.9 million in additional Lottery proceeds to school divisions in fiscal year 2004.

- **Governor's School Enrollment**

House: Same as Governor's introduced budget.

Senate: Increases Governor's School funding by \$383,565 in fiscal year 2004 to fund actual enrollment levels reported by each Governor's School in the Fall of 2003.

- **Fiscal Year 2004 to Fiscal Year 2005 Carry Forward Language**

House: Provides budget language allowing school divisions to carry forward funds that are unspent as of June 30, 2004, to fiscal year 2005 for use in the same program. This carry forward authority is provided for funds from the following programs: SOL Remediation, SOL Algebra Readiness, School Construction Grants Program, and Lottery.

Senate: Same as Governor's introduced budget. No carry over authority provided for these funds.

DOE CENTRAL OFFICE BUDGET - Fiscal Year 2004 (HB/SB 29)

- **National Board Certification Bonus**

House: Reduces funding for National Board Certification bonuses by \$127,500 in fiscal year 2004 based on actual eligibility for the bonus payments in fiscal year 2004.

Senate: Same as House amendment.

**DIRECT AID TO PUBLIC EDUCATION BUDGET - 2004-2006
(HB/SB 30)**

Technical Updates

• **Rebase Standards of Quality (SOQ) Costs for 2004-2006**

Governor: The Governor's introduced budget includes \$396.0 million in fiscal year 2005 and \$440.0 million in fiscal year 2006 to fund the state's share of routine rebasing costs for the Standards of Quality programs. These technical adjustments include updates for factors such as funded salaries, Annual School Report data used to calculate prevailing cost estimates, inflation, test score updates, and enrollment updates. These adjustments reflect the cost of continuing current programs with the required data updates used in the funding formulas but do not reflect any changes in policy.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

• **Update ADM and Fall Membership Projections (as of November 2003)**

Governor: The proposed budget reflects funding necessary to cover increases and decreases in projections of March 31, 2005, and March 31, 2006, average daily membership (ADM). The projected ADM used in the introduced budget was forecast by the Department of Education based upon September 30, 2003, fall membership. All accounts that use projected fall membership in their calculations have been updated. For fiscal year 2005, these adjustments result in a decrease of \$3.3 million. For fiscal year 2006, the decrease is \$2.3 million.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Update Incentive Accounts**

Governor: Funding increases are included in each year of the 2004-2006 biennium for the Early Reading Intervention Initiative and for the Standards of Learning (SOL) Algebra Readiness program. Funding for both of these programs is based on test score data and fall membership. Payments for the Early Reading Intervention Initiative are based upon the number of students in need of services determined by fall membership and test score data from the Phonological Awareness Literacy Screening (PALS) diagnostic instrument. Funding for the Algebra Readiness program is based on the number of students in grades seven and eight multiplied by the percent of students in each division who failed the eighth grade math SOL test.

Funding for the At-Risk program is also increased in both years of the 2004-2006 biennium. This program is funded through the use of an add-on weight to the Basic Aid per pupil amount. Consequently, all technical rebasing changes to Basic Aid also affect funding for this program.

Other accounts affected by technical updates include the K-3 Primary Class Size Reduction initiative and the At-Risk Four-year-old program.

Technical updates to the incentive accounts total \$26.0 million in fiscal year 2005 and \$26.6 million in fiscal year 2006.

House: Same as Governor's introduced budget and updates the cost of the K-3 Class Size Reduction Program for an estimated savings of \$650,000 each year based on changes in the VRS rate and the retiree health care credit rate.

Senate: Same as Governor's introduced budget with updates for the actual cost of the K-3 Class Size Reduction Program based on a VRS rate of 6.56 percent and a retiree health care credit rate of 0.59 percent. This reduces the state cost by \$469,788 in fiscal year 2005 and \$483,033 in fiscal year 2006.

- **Update Categorical Programs**

Governor: For the 2004-2006 biennium, the proposed budget contains increased funding for special education programs related to regional program tuition reimbursements, state-operated programs, and homebound education services. Funding for the special education foster care reimbursement program also increases in the 2004-2006 biennium. The additional funding for these programs is required due to projected increases in service levels for the 2004-2006 biennium.

Funding for the academic year Governor's Schools program is projected to increase in the 2004-2006 biennium to reflect new enrollment projections. Funding for the Alternative Education program also increases due to an increase in the per pupil amount used to fund the program in 2004-2006.

Technical updates to the categorical accounts total \$10.9 million in fiscal year 2005 and \$19.5 million in fiscal year 2006.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Change Virginia Retirement System (VRS) Employer Contribution Rates for Professional Positions**

Governor: The Governor's introduced budget adopts a lower employer contribution rate for retirement benefits than was certified by the VRS Board (7.82 percent versus 8.1 percent). This lower rate is applied to positions in the VRS professional group based on the actuarial valuation of assets and liabilities over 30 years (as opposed to over 23 years as originally calculated by the VRS actuary). For the retirement contribution, the rates proposed for 2004-2006 reflect the actuarial effect of the rate increase from fiscal year 2004 (3.77 percent to 7.82 percent). For the retiree health care credit, the rates proposed for 2004-2006 reflect the actuarial effect of a rate decrease from fiscal year 2004 (0.67 percent to 0.59 percent). These new rates are the same in both fiscal years.

Please note that there is no employer contribution for Group Life in fiscal years 2005 or 2006 reflecting the proposed continuation of the premium holiday in both years.

The result of these rate changes increases funding by \$80.7 million in fiscal year 2005 and \$87.3 million in fiscal year 2006.

(Note: Please see the contingent appropriation section of this attachment for more information about additional rate reductions proposed by the Governor.)

House: Proposes two actions related to state funding to school divisions for VRS that result in a new approach to funding VRS payments for professional and instructional positions. First, the House restores the employer contribution rate to the unpooled rate of 7.82 percent. Second, the House reduces the employer contribution rate to the unpooled "normal rate" of 6.03 percent and a retiree health care credit rate of 0.55 percent (down from 0.59 percent proposed by the Governor). These two actions result in a net reduction in state funding of \$11.4 million in fiscal year 2005 and \$12.4 million in fiscal year 2006.

This amendment establishes a new policy that provides that the VRS rate for state payments to school divisions will be based only on the unpooled normal cost employer rate. For both years of the 2004-2006 biennium, this rate will be 6.03 percent of salary. In fiscal year 2005, school division payments to VRS will be based only on the normal cost employer rate so the rate charged would be the same rate as the rate funded by the state or 6.03 percent of salary.

In fiscal year 2006, however, school division payments to VRS will be based upon the normal cost employer rate plus a portion of the rate needed to address the unfunded costs in the teacher retirement pool. The employer contribution rate for state funding would remain at the normal cost employer rate of 6.03 percent but the employer rate charged to school divisions by VRS would increase to an estimated 6.62 percent of salary. Beginning in fiscal year 2006, school divisions would be responsible for paying 100 percent of a portion of the unfunded liability rate above the normal cost rate. In fiscal year 2006, the increase from the normal cost employer rate of 6.03 percent to 6.62 percent is approximately one-third of the current unfunded liability -or- one-third of the difference between the normal cost employer rate of 6.03 percent and the current fully funded employer rate of 7.82 percent. Each year after fiscal year 2006, the rate charged to school divisions would increase by one-third of the unfunded liability rate until the full funding rate is achieved. No state payments would be made to school divisions

to pay the cost of the unfunded liability rate. The employee share rate of 5.0 percent is not changed.

Senate: The Governor's introduced budget provided that the liabilities from the teacher retirement fund should be "pooled" with those of the state employee retirement fund. This pooling action reduced the rate from 7.82 percent of salary to 6.56 percent of salary for professional and instructional positions for both years of the biennium. This reduction was contingent upon approval of other actions including the Governor's proposed tax reform. The Senate action is the same as the Governor's introduced budget but removes the contingency contained in the introduced budget related to the rate change to 6.56 percent. This would be the rate funded in the state payments to school divisions and also the rate charged to school divisions by VRS.

- **Update Sales Tax Projections**

Governor: The projected sales tax entitlements reflect the most recent estimate of the one percent sales tax, as computed by the Virginia Department of Taxation. The Department of Taxation projects one percent sales tax revenues of \$884.0 million in fiscal year 2005 and \$926.0 million in fiscal year 2006. After applying the Basic Aid offset, the net increase in state funding is estimated to be \$23.8 million in fiscal year 2005 and \$42.4 million in fiscal year 2006.

House: Increases the one percent sales tax estimate by \$66.5 million in fiscal year 2005 and \$68.2 million in fiscal year 2006 due to revised forecasts and legislation approved by the House of Delegates. The Basic Aid off-set is \$37.5 million in fiscal year 2005 and \$38.4 million in fiscal year 2006, for a net increase in state funding of \$29.1 million in fiscal year 2005 and \$29.8 million in fiscal year 2006.

Senate: Increases the one percent sales tax estimate by \$10.3 million in fiscal year 2005 and \$12.7 million in fiscal year 2006 due to revised forecasts and legislation adopted by the Senate. The Basic Aid off-set is \$5.8 million in fiscal year 2005 and \$7.2 million in fiscal year 2006, for a net increase in state funding of \$4.5 million in fiscal year 2005 and \$5.6 million in fiscal year 2006.

- **Update Lottery Proceeds**

Governor: Total Lottery proceeds are projected to increase to \$395.0 million in fiscal year 2005 and \$402.0 million in fiscal year 2006. Of this amount, \$20.5 million in fiscal year 2005 and \$20.7 million in fiscal year 2006 is dedicated to fund the additional cost of the proposed SOQ prevention, intervention, and remediation program. The local portion of Lottery proceeds are projected to be distributed based on a state share of \$218.26 per pupil in adjusted ADM in fiscal year 2005 and \$219.73 per pupil in adjusted ADM in fiscal year 2006. The net effect of these increases and offsets is an increase of \$1.2 million in fiscal year 2005 and \$3.9 million in fiscal year 2006.

House: Same as Governor's introduced budget for the purpose of the Lottery revenue estimates and local distribution of Lottery proceeds; however, see section below called "Adopt Board of Education's Proposed Prevention, Intervention, and Remediation Program" for the House action related to the use of Lottery funds for the additional cost of the proposed SOQ prevention, intervention, and remediation program.

Senate: Same as Governor's introduced budget.

- **Recalculate Direct Aid Accounts Using 2004-2006 Composite Index**

Governor: The projected entitlements listed in Attachment B were calculated using the 2004-2006 composite indices communicated in Informational Superintendent's Memorandum Number 208, dated December 5, 2003. The data elements used to calculate the composite index for 2004-2006 are based on data from 2001. For fiscal year 2005, changes in the composite index result in an increase of \$27.0 million. For fiscal year 2006, the increase is \$26.5 million.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Adjust Summer School and Academic Year Governor's School Per Pupil Amounts**

Governor: As has been the practice in prior biennia, the per pupil funding for these two programs has been adjusted based on revisions to the calculated per pupil amounts in Basic Aid (for Governor's Schools) and the SOQ basic and remedial position salaries (for Remedial Summer School) to reflect the rebased cost estimates for the 2004-2006 biennium. The additional cost from the change in these per pupil amounts is an increase of \$1.9 million in fiscal year 2005 and \$2.0 million in fiscal year 2006.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget and provides \$88,914 in fiscal year 2005 and \$88,965 in fiscal year 2006 to increase the Governor's School enrollment cap to 1,400 students per school.

Policy Changes to Direct Aid to Public Education Funding in 2004-2006

- **Re-institute Local Revenue Deduction**

Governor: The proposed budget re-institutes the deduction of prevailing locally generated revenues from the Basic Aid cost calculation. This amendment reduces Direct Aid funding by \$55.1 million in fiscal year 2005 and by \$55.6 million in fiscal year 2006.

House: Provides \$55.0 million in fiscal year 2005 and \$55.6 million in fiscal year 2006 to eliminate the deduction of prevailing locally generated revenues from the Basic Aid cost calculation.

Senate: Same as House amendment.

- **Continue VPSA Technology Distribution and Do Not Switch to SOQ Prevailing Technology Per Pupil Amount**

Governor: The current policy of funding non-personal technology costs through the Virginia Public School Authority equipment notes program is maintained in the 2004-2006 biennium. Consequently, no funding is included in the Basic Aid per pupil amount for non-personal technology costs. These costs will be funded from note proceeds resulting in a savings to the general fund of the Commonwealth. The debt service on these notes will be paid from the Literary Fund. For fiscal year 2005, this initiative results in a savings of \$54.6 million. For fiscal year 2006, the savings is \$55.2 million.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Fund the K-3 Primary Class Size Reduction Initiative at the Lower of Statewide Average Per Pupil Amount or Division Per Pupil Amount**

Governor: The funding formula used for the K-3 initiative is modified for the 2004-2006 biennium. The new formula provides state funding to participating school divisions using a per pupil amount that is the lower of the division per pupil amount or the statewide average per pupil amount. The practice in the 2002-2004 biennium had been to fund this initiative using the higher of the division per pupil amount or the statewide average per pupil amount. In both years of the biennium, this change results in a savings of \$6.0 million.

House: Same as Governor's introduced budget with adjustments for changes in VRS rates.

Senate: Same as Governor's introduced budget with adjustments for changes in VRS rates.

- **Institute Federal Revenue Deduction in Basic Aid Formula**

Governor: Beginning in the 2004-2006 biennium, certain federal revenues will be deducted from the Basic Aid calculation, a practice that is similar to the local revenue deduction noted above. This deduction is based upon a per pupil amount for each division that is the lower of the school division's actual federal receipts per pupil or the prevailing federal revenues per pupil on a statewide basis. To calculate the federal deduction amount on a per pupil basis, federal revenues received by all school divisions related to Title I, Title II-B, Special Education (Title VI-B), Vocational Education (Perkins Act), and Educational Technology (Title II-D) were totaled and divided by a base Average Daily Membership (ADM) figure. Please note that federal revenues used for capital outlay are not part of the deduction because school divisions do not use these revenues as operating funds. This action results in a Basic Aid decrease of \$153.2 million in fiscal year 2005 and \$154.2 million in fiscal year 2006.

House: Same as Governor's introduced budget.

Senate: Provides \$153.1 million in fiscal year 2005 and \$154.2 million in fiscal year 2006 to eliminate the deduction of all five federal revenue sources from the Basic Aid cost calculation.

- **Adopt Board of Education's Proposed Prevention, Intervention, and Remediation Program**

Governor: A new Standards of Quality prevention, intervention, and remediation program is proposed for the 2004-2006 biennium to assist students who need additional instruction. This new program would replace the current SOQ remediation program. The new program provides funding for one hour of additional instruction per day for identified students. Funding is calculated using the percent of students eligible for the federal Free Lunch program as a proxy for the number of eligible students. A pupil-teacher ratio is then applied to the pool of "identified" students using a range between 18:1 and 10:1, depending upon a school division's combined failure rate on the English and math Standards of Learning tests. Higher combined failure rates are assigned

lower pupil-teacher ratios. Localities must match the state funds based on the composite index of local ability-to-pay.

This initiative, which was approved by the Board of Education in June 2003 as part of its revisions to the SOQ, is funded at \$64.6 million in fiscal year 2005 and \$65.0 million in fiscal year 2006. This funding represents an increase of \$20.5 million in fiscal year 2005 and \$20.7 million in fiscal year 2006 over the amount that would have been funded for the current SOQ remediation program. The additional funding is supported by increased Lottery proceeds.

House: Reduces funding by \$21.2 million in fiscal year 2005 and \$21.4 million in fiscal year 2006 to restore funding to the current SOQ remediation funding methodology (i.e., nine positions per 1,000 students scoring in the lower quartile on the Stanford 9 standardized tests). Lottery funds that were used to fund these additional costs contained in the Governor's budget are now used to fund other state costs for public education; therefore, there is no change in the local distribution of lottery funds from the distribution contained in the Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Institute a "No Loss" funding provision**

Governor: For those school divisions receiving a projected state funding allocation in fiscal year 2005 or fiscal year 2006 that is less than their projected fiscal year 2004 state funding allocation in the Governor's proposed amendments to Direct Aid for fiscal year 2004 (the "Caboose Bill"), an additional state payment will be provided to ensure that the affected school divisions receive a total state allocation in fiscal years 2005 and 2006 that is at least equal to the total amount to be received in fiscal year 2004 under the "Caboose Bill." For fiscal year 2005, an additional \$1.4 million is provided for this no loss provision. For fiscal year 2006, an additional \$2.2 million is provided.

The proposed No Loss funding is calculated on the basis that three contingent appropriation items will be included in the final fiscal year 2005 and fiscal year 2006 base of funding. These contingent items are: support cost of competing at 24.61 percent; increased ESL funding; and increased At-risk Four-

year-old funding. Please note that the level of No Loss funding in fiscal year 2005 and fiscal year 2006 will not change if any or all of these three items are not funded in the final 2004-2006 budget.

House: Increases funding by \$1.7 million in fiscal year 2005 and \$1.5 million in fiscal year 2006 by basing the no loss calculation on fiscal year 2004 funding levels provided in Chapter 1042 as enacted by the 2003 General Assembly, as opposed to the fiscal year 2004 funding levels proposed in HB/SB 29 as introduced.

Senate: Eliminates this funding in both fiscal years since proposed funding levels recommended by the Senate in both years do not require a no loss payment to maintain fiscal year 2004 funding levels.

- **Continue Implementation of the Standards of Learning Web-based Technology Initiative**

Governor: This initiative continues the educational technology notes program in 2004-2006 with debt service paid through the Literary Fund. Approximately \$59.0 million in Virginia Public School Authority (VPSA) equipment notes is expected to be issued in the spring of 2005 and 2006. Continuation of this initiative is intended to increase school divisions' capability for web-based instruction, remediation, and testing of the Standards of Learning.

Grant amounts are maintained at \$26,000 per school (for schools reporting fall membership and for various division and regional programs) and \$50,000 per school division. A required local match is maintained at 20 percent of the state grant amount, and 25 percent of the required local match must be used for teacher training. The goals of the program continue to focus on lowering student-to-computer ratios and increasing high speed Internet access in high schools and to establish computer-based instructional, remedial, and testing systems for the Standards of Learning.

The proposed budget also updates the number of schools eligible for funding under the VPSA technology grants. Funding to school divisions for the VPSA technology grant program has been increased by \$468,000 in fiscal year 2005 and by \$780,000 in fiscal year 2006 based on an increase in the number of reported schools.

House: Same as Governor's introduced budget with technical updates to the number of schools eligible to receive grants. Includes language that would make schools with pre-kindergarten as the only grade in the school ineligible to receive grants under this program.

Senate: Same as Governor's introduced budget. No technical updates proposed.

- **Continue Interest Rate Subsidy Program**

Governor: Requires the VPSA to provide interest rate subsidy programs in the fall of 2004 and in the fall of 2005 for Literary Fund projects on the First Priority Waiting List. Five million in subsidy grants would be provided in each year of the biennium.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Change Funding Source for VRS Retirement**

Governor: The proposed budget uses \$131.9 million in Literary Fund revenues in fiscal year 2005 and \$135.9 million in Literary Fund revenues in fiscal year 2006 in lieu of general funds for VRS retirement. This represents an increase of \$13.4 million in fiscal year 2005 and \$17.4 million in fiscal year 2006 over the current level in fiscal year 2004. This action only affects the source of funding for VRS retirement payments and will not affect school divisions' allocations for VRS retirement in the 2004-2006 biennium.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Continue Project Graduation**

Governor: Additional funding of \$2.8 million in both years of the biennium is provided for administrative and contractual services in support of this initiative. Governor Warner began Project Graduation in 2002-2003 to provide additional opportunities for students to earn the verified units of credit required to receive a high school diploma. Funding will provide for continuation academies for students who do not graduate with their class, regional academies to help students who are preparing for graduation, and for on-line tutorials for students who need help preparing for their Standards of Learning tests.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Increase Support for No Child Left Behind Act**

Governor: Additional funding is provided to help the Department of Education develop programs to assist school divisions with meeting the requirements of the No Child Left Behind Act. For fiscal year 2005, an additional \$4.4 million is provided. For fiscal year 2006, an additional \$5.1 million is provided.

House: Same as Governor's introduced budget; no change in funding.

Senate: Reduces funding by \$908,500 in fiscal year 2005 and \$1,408,500 in fiscal year 2006 for the various targeted education initiatives designed to meet NCLB requirements. With the proposed funding reductions, \$7.2 million in funding would be available over the biennium. This amendment also requires the Superintendent of Public Instruction to provide an update to the General Assembly on expected local cost impacts of NCLB by July 1, 2004.

Other House/Senate Direct Aid Policy Changes for 2004-2006 Not in HB/SB 30

- **Fund SOQ Policy Changes Adopted by the Board of Education (other than the SOQ Prevention, Intervention, and Remediation program included in the Governor's introduced budget)**

House: No additional funding provided.

Senate: Provides \$123.0 million in fiscal year 2005 and \$128.0 million in fiscal year 2006 to fund additional secondary instructional positions at a 21:1 pupil-teacher ratio to provide the state share of cost of a daily planning period at the secondary level. Provides \$74.6 million in fiscal year 2005 and \$76.7 million in fiscal year 2006 to fund five elementary resource teachers per 1,000 elementary students. Provides \$15.6 million in fiscal year 2005 and \$16.2 million in fiscal year 2006 to fund one technology instructional position and one technology support position per 1,000 students.

- **Full Funding for Administrative Support Positions in Basic Aid**

House: No additional funding provided.

Senate: Provides \$22.8 million in fiscal year 2005 and \$23.4 million in fiscal year 2006 to fund the state share of the full cost of the prevailing number of support positions in the administrative category in Basic Aid.

- **Eliminate One-month Rollover of Fringe Benefit Costs**

House: No additional funding provided.

Senate: Provides \$22.1 million in fiscal year 2005 and \$253,093 in fiscal year 2006 to end the one-month rollover of June's fringe benefits payments to the next fiscal year.

- **Fund SOL Algebra Readiness Based on Free Lunch Eligibility**

House: No change in funding.

Senate: Reduces funding by \$1.1 million each year by using free lunch eligibility instead of 8th grade SOL math test scores as the basis for funding the program.

- **Eliminate Student Achievement Grants Funding**

House: Eliminates funding for the program at \$10.1 million each year.

Senate: No change in funding.

- **Funding for Jobs for Virginia Graduates**

House: Provides \$250,000 each year for the Jobs for Virginia Graduates program.

Senate: Provides \$200,000 each year to place career specialists in schools as part of the Jobs for Virginia Graduates program.

- **Funding for SB 518 (Highland County) and Small School Division Assistance Grant**

House: Same as Governor's introduced budget; no change in funding.

Senate: Provides \$454,248 in additional funding to Highland County in fiscal year 2006 pursuant to SB 518 in lieu of its \$200,000 Small School Division Assistance grant. As a result, the net additional funding proposed for Highland County is \$254,248 in fiscal year 2006. No change is made to the existing Small School Division Assistance grant for Norton City.

- **Institute for Early Learning through the Arts Program**

House: Provides \$250,000 each year for the Early Learning through the Arts program.

Senate: No funding provided.

- **Eliminate Funding for the Southwest Virginia Public Education Consortium and the William King Regional Arts Center**

House: Eliminates funding for the Southwest Virginia Public Education Consortium at \$200,000 each year and the William King Regional Arts Center at \$100,000 each year.

Senate: No change in funding.

- **Fund Various Technical Corrections and Updates to SOQ Funding**

- Following the introduction of the Governor's budget, technical corrections to fall membership and LEP and special education child counts were identified. In addition, data was provided by VRS to calculate an updated prevailing non-professional VRS rate (updated to 4.94 percent). The calculated entitlements for each division reflect these

technical corrections and the non-professional VRS rate update. If sufficient funding is not available at the time payments must be made, Basic Aid payments may have to be reduced or prorated proportionally across all school divisions.

House: No additional funding provided.

Senate: Provides \$13.5 million in fiscal year 2005 and \$5.2 million in fiscal year 2006 for various technical corrections and updates made to input data used for SOQ funding. The Senate amendments fully fund these corrections and updates in fiscal year 2005 and partially fund them in fiscal year 2006.

- **Direct Aid Transfer and Proration Authority**

House: Adds language authorizing the Department of Education to transfer appropriations among the different programs within Direct Aid in order to meet entitlement payments. Should appropriations fall short of payment amounts after all available balances have been transferred, payments would be reduced or prorated proportionately across all school divisions participating in the program where the shortfall occurred.

Senate: No language provided.

Contingent Appropriations

Please note that funding for the following initiatives will only be provided if a series of actions are approved by the General Assembly including the Governor's proposed tax reform package. For more information regarding the Governor's proposed tax reform, visit his Web site located at:

<http://www.governor.virginia.gov/Initiatives/TaxReform/index.htm>

- **Compensation Supplement in Fiscal Year 2006**

Governor: The Governor's introduced budget provides funding for a compensation supplement of three percent, effective December 1, 2005, covering SOQ instructional and support positions and affected incentive accounts. Funding for the salary increase is contained in the Central Appropriations

section of the introduced budget and is estimated at \$50.1 million in fiscal year 2006.

House: Eliminates funding for the three percent compensation supplement in fiscal year 2006.

Senate: Eliminates funding for the three percent compensation supplement in fiscal year 2006. Language encouraging local salary increases is included in the Direct Aid budget.

- **VRS Rate Change**

Governor: In addition to the three percent compensation supplement in fiscal year 2006, there would be an employer contribution rate adjustment for VRS retirement, with a new rate set at 6.56 percent in both years of the biennium, which is a reduction of 1.26 percent from the rate of 7.82 percent discussed earlier in this memorandum. This further rate reduction is based on "pooling" the liabilities and assets of the teacher and state employee retirement pools. No change is proposed to the retiree health care credit rate of 0.59 percent.

House: Removes contingency. See section labeled "Change Virginia Retirement System (VRS) Employer Contribution Rates for Professional Positions."

Senate: Removes contingency. See section labeled "Change Virginia Retirement System (VRS) Employer Contribution Rates for Professional Positions."

- **Fully Fund Support Cost of Competing at 24.61 Percent**

Governor: Funding would be included to increase the cost of competing factor for SOQ support positions from 20.92 percent to 24.61 percent in the nine school divisions in Planning District Eight. This support cost of competing rate of 24.61 percent is the rate recommended by the Joint Legislative Audit and Review Commission (JLARC) in its most recent study of the cost of competing adjustment. This action results in an increase of \$3.4 million in fiscal year 2005 and \$3.5 million in fiscal year 2006.

House: Eliminates this additional funding in both years and reduces the funded support COCA rate to 20.92 percent in both years.

Senate: Same as Governor's introduced budget but removes the contingency on this funding contained in the introduced budget.

- **Increase the Number of Teachers in the English as a Second Language (ESL) Program**

Governor: In prior biennia, ESL funding was based on ten teachers for every one thousand limited English proficient (LEP) students. In the 2004-2006 biennium, ESL funding would be based on an increase to seventeen teachers per one thousand LEP students. This proposal increases funding by \$9.0 million in fiscal year 2005 and \$10.6 million in fiscal year 2006.

House: Eliminates this additional funding in both years.

Senate: Same as Governor's introduced budget but removes the contingency on this funding contained in the introduced budget.

- **Expand the At-Risk Four-Year-Old Program**

Governor: In prior biennia, funding for this program was determined by calculating an unserved population of eligible children, which was derived by deducting those served by federal Title I or Head Start programs from the total number of estimated at-risk four-year-olds. Under this initiative, the deduction for the Title I program will be reduced by one third, which in turn expands the pool of students eligible for state funding. This initiative results in an increase of \$2.2 million in each year.

House: Maintains the Governor's proposal to reduce Title I deductions by one-third. Reduces funding by \$4.9 million in fiscal year 2005 and \$5.0 million in fiscal year 2006 by using each division's Basic Aid per pupil amount for funding the program, instead of the current per pupil amount of \$5,400. Removes contingency requirements.

Senate: Increases funding for the program consistent with several recommendations from the JLARC funding study. An additional \$49.3 million is provided in fiscal year 2005 and an additional \$49.6 million is provided in fiscal year 2006. The following changes are made to the funding formula: fund all estimated at-risk four-year-olds (no deduction for Title I pre-school or Head Start students); fund 100 percent of estimated at-risk four-year-olds; and, provide funding at \$6,000 per pupil. This amendment does assume a \$10.0 million participation savings in both fiscal years; however, the full entitlement with no assumed participation savings is shown for each division in the attached files. In the event this amendment is enacted and actual participation levels exceed the available appropriation, payments would be reduced or prorated proportionally across all participating school divisions.

**DOE CENTRAL OFFICE BUDGET - 2004-2006 Biennial Budget
(HB/SB 30)**

- **Maintain Current Standards of Learning (SOL) Testing Program**

Governor: This initiative continues the existing SOL testing program required by the Standards of Quality and the Standards of Accreditation. Additional funding supports: (1) annual price escalators required by the SOL testing contract; (2) SOL test administration and scoring cost increases due to greater student enrollment; (3) expansion of the SOL history test program; (4) test development activities; and (5) federal grants related to federal No Child Left Behind (NCLB) Act. For fiscal year 2005, general fund appropriations increase by \$1.8 million and federal funds increase by \$400,000. For fiscal year 2006, general fund appropriations increase by \$4.5 million and federal funds increase by \$400,000.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Increase Funding for the National Board Certification Program**

Governor: This proposal updates the projected number of classroom teachers with National Board Certification who are eligible to receive the initial or continuation bonus in the 2004-2006 biennium. This proposal also reduces the initial

bonus from \$5,000 to \$3,000 and the continuation bonus from \$2,500 to \$1,000 for teachers initially awarded National Board Certification on or after July 1, 2004. For fiscal year 2005, these actions result in additional funding of \$627,500. For fiscal year 2006, these actions result in additional funding of \$849,000.

House: Reduces funding by \$297,500 in fiscal year 2005 and \$381,500 in fiscal year 2006 to reflect updated projections of teachers eligible to receive the National Board Certification bonus.

Senate: Reduces funding by \$297,500 in fiscal year 2005 and \$381,500 in fiscal year 2006 to reflect updated projections of teachers eligible to receive the National Board Certification bonus. Adds \$320,000 in fiscal year 2006 to restore bonus levels to \$5,000 for the initial bonus and \$2,500 for the continuation bonus. Based on these two actions, net funding is reduced by \$297,500 in fiscal year 2005 and \$61,500 in fiscal year 2006 from the levels contained in the introduced budget.

- **Continue Implementation of the Web-based Standards of Learning (SOL) Technology Initiative**

Governor: This initiative funds the costs of: (1) renewing the existing Web-based testing contract in each year of the 2004-2006 biennium; (2) additional Web-based SOL tests at high schools and at middle schools; and (3) three positions needed to support development and implementation of the initiative. Additional funding of \$1.5 million is provided in fiscal year 2005. Additional funding of \$2.1 million is provided in fiscal year 2006.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Increase Support for Implementation of No Child Left Behind (NCLB) Act**

Governor: In order to comply with the requirements of NCLB, the central office budget is increased by \$1.0 million in both years of the 2004-2006 biennium.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Implement Statewide Student Information System**

Governor: NCLB requires states to report an increased amount of student-level information. In response to this requirement, an additional \$798,948 in general funds and \$2.7 million in federal funds is added in fiscal year 2005 for the development and implementation of a statewide student information system. For fiscal year 2006, an additional \$3.6 million in general funds is added to the central office budget for the development and implementation of this system.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Continue Project Graduation**

Governor: Additional funding of \$356,512 in both years of the biennium is provided for administrative and contractual services in support of this initiative.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.

- **Transfer Veterans Education to the Department of Veterans Services**

Governor: This initiative transfers veterans educational and training programs to the Virginia Department of Veterans Services. Federal funds of \$287,267 are transferred in each year of the biennium, along with three full-time equivalent positions.

House: Same as Governor's introduced budget.

Senate: Same as Governor's introduced budget.