

**Summary of the 2004-2006 Biennial Budget Adopted by the
2004 Special Session of the General Assembly**

This document provides a summary of amendments to the 2004-2006 introduced budget (HB/SB 5001) adopted by the General Assembly at their 2004 Special Session. For your reference, 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, and the respective budget actions adopted by the full membership of the House of Delegates and the Senate as communicated in Attachment A of Informational Superintendent's Memorandum No. 47, dated March 3, 2004, are shown.

Following this information, a summary of the final changes to the Governor's 2004-2006 introduced budget (HB/SB 5001) adopted by the 2004 Special Session of the General Assembly is shown. These changes are noted as "Final General Assembly Action" and are highlighted in bold text. Please note that the 2004-2006 budget adopted by the General Assembly now goes to the Governor for action. The Governor may propose amendments or vetoes to the budget or he may sign it without proposing any changes. The budget is not final until signed into law by the Governor.

**DIRECT AID TO PUBLIC EDUCATION BUDGET - 2004-2006
(HB/SB 5001)**

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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: Same as the Governor's introduced budget with updates for the actual cost of the K-3 Class Size Reduction Program based on a VRS rate of 6.03 percent in fiscal year 2005 and 6.62 percent in fiscal year 2006 and a retiree health care credit rate of 0.55 percent in both years. This reduces the state cost by \$1.5 million in fiscal year 2005 and \$1.2 million 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.

Final General Assembly Action: 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.

Final General Assembly Action: Adopted two amendments related to Virginia Retirement System (VRS) employer rates for 2004-2006. In the first amendment, adopted the "pooled" VRS rate of 6.56 percent compared to the "unpooled" rate of 7.82 percent by removing the contingency provisions contained in the introduced budget. This amendment reduces state funding by \$24.9 million in fiscal year 2005 and \$27.5 in fiscal year 2006. In the second amendment, adopted a rate of 6.03 percent in fiscal year 2005 (based on the "normal" rate) and 6.62 percent in fiscal year 2006. This amendment also reflects a retiree health care credit rate of 0.55 percent in both years rather than the 0.59 percent rate proposed in the introduced budget. When compared to the "pooled" rate of 6.56 percent in each year, this amendment reduces state funding by \$11.4 million in fiscal year 2005 and \$54,625 in fiscal year 2006.

The adopted VRS employer rates for 2004-2006 are as follows (not including the 5.0 percent for the employee share of the total rate):

- Fiscal year 2005 - VRS Retirement at 6.03 percent and the Retiree Health Care Credit at 0.55 percent = a total rate of 6.58 percent.
- Fiscal year 2006 - VRS Retirement at 6.62 percent and the Retiree Health Care Credit at 0.55 percent = a total rate of 7.17 percent.

The VRS employer rates adopted by the General Assembly for 2004-2006 will be those (plus the employee share) used by VRS to charge school divisions for retirement contributions against payroll. These same employer rates will be used by the Department of Education in making VRS payments to school divisions.

The premium holiday for VRS Group Life is maintained for both years of the biennium (i.e., school divisions will not make a payment to VRS for group life benefits and divisions will not

receive state revenue for group life contributions in fiscal years 2005 and 2006).

- **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.

Final General Assembly Action: Same as Governor's introduced budget and adopts the following additional changes to the estimate for the existing one percent portion of sales tax dedicated to public education:

- provides an additional \$8.3 million in fiscal year 2005 and \$10.0 million in fiscal year 2006 in the one percent sales tax from revenues generated through the revised December 2003 sales tax estimate. The associated offset in Basic Aid is a \$4.7 million reduction in fiscal year 2005 and a \$5.6 million reduction in fiscal year 2006 for net additional funding of \$3.6 million in fiscal year 2005 and \$4.4 million in fiscal year 2006.

- provides an additional \$17.7 million in fiscal year 2005 and \$21.3 million in fiscal year 2006 in the one percent sales tax from revenues generated through the elimination of certain sales tax exemptions authorized under House Bill 5018. The associated offset in Basic Aid is a \$10.0 million reduction in fiscal year 2005 and a \$11.0 million reduction in fiscal year 2006 for net additional funding of \$7.7 million in fiscal year 2005 and \$9.3 million in fiscal year 2006.
- provides an additional \$1.7 million in fiscal year 2005 and \$2.1 million in fiscal year 2006 in the one percent sales tax from revenues generated through the increase in the sales tax on cigarettes authorized under House Bill 5018. The associated offset in Basic Aid is a \$1.0 million reduction in fiscal year 2005 and a \$1.2 million reduction in fiscal year 2006 for net additional funding of \$755,058 in fiscal year 2005 and \$910,563 in fiscal year 2006.
- provides an additional \$260,000 each year in the one percent sales tax from revenues generated through sales of prepaid telephone calling cards as authorized in House Bill 246. The associated offset in Basic Aid is a \$146,786 reduction in fiscal year 2005 and a \$146,478 reduction in fiscal year 2006 for net additional funding of \$113,214 in fiscal year 2005 and \$113,522 in fiscal year 2006.

See the "One Quarter Percent of Sales Tax Revenue Dedicated to Public Education" bullet under the "Policy Changes to Direct Aid to Public Education Funding in 2004-2006" section below for information on the additional one quarter percent of sales tax dedicated to public education authorized by House Bill 5018.

- **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.

Final General Assembly Action: Same as Governor's introduced budget and increases the lottery per pupil amount as a result of technical savings in the SOQ Prevention, Intervention, and Remediation program based on the VRS rates adopted by the General Assembly, which are lower than the VRS rates used to determine the cost of the program in the introduced budget. A portion of the SOQ Prevention, Intervention, and Remediation is paid from lottery funds. As a result of the reduced cost of the SOQ Prevention, Intervention, and Remediation program, the projected per pupil amounts for the local lottery distribution increase from \$218.26 to \$218.69 in fiscal year 2005 and from \$219.73 to \$220.08 in fiscal year 2006. The projected net change in school division funding from the reduced cost of the SOQ Prevention, Intervention, and Remediation program and the increased local lottery distribution is a reduction of \$458,814 in fiscal year 2005 and a reduction of \$375,704 in fiscal year 2006.

- **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.

Final General Assembly Action: 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.

Final General Assembly Action: Same as Governor's introduced budget and provides \$177,829 in fiscal year 2005 and \$177,930 in fiscal year 2006 to increase the Governor's School enrollment cap to 1,500 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.

Final General Assembly Action: Adopts the House and Senate amendments to reverse 100 percent of the deduction of prevailing locally generated revenues from the cost of Basic Aid proposed in the introduced budget and restore the related funding resulting in an increase of \$55.0 million in fiscal year 2005 and \$55.6 million in fiscal year 2006.

- **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.

Final General Assembly Action: Same as Governor's introduced budget and includes technical updates that specify the calendar year for which the debt issuance and payments to localities shall be completed and the estimated number of schools eligible for the technology equipment grants through the Virginia Public School Authority. The debt issuance amount is updated to \$59.4 million each year based on the updated number of eligible schools. The language change clarifies school eligibility for grant funding and excludes from funding those schools or district centers that serve only pre-kindergarten students.

- **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.

Final General Assembly Action: Same as Governor's introduced budget with adjustments in cost for the final VRS rates adopted by the General Assembly.

- **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.

Final General Assembly Action: Restores \$108.4 million in fiscal year 2005 and \$109.1 million in fiscal year 2006 by partially reversing the deduction of certain federal revenues from the cost of Basic Aid proposed in the introduced budget. The additional funding reverses 70.78 percent of the deduction of applicable federal revenues from Basic Aid and limits the deduction to 29.22 percent based on the estimated portion of federal revenues that are reflected in prevailing support costs. In addition, this amendment expresses the desire of the General Assembly that localities continue to improve teacher salaries, consistent with their practice in recent years.

- **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.

Final General Assembly Action: Same as Governor's introduced budget and reduces the cost of the SOQ Prevention, Intervention, and Remediation program based on the VRS rates

adopted by the General Assembly, which are lower than the VRS rates used to determine the cost of the program in the introduced budget. A portion of the SOQ Prevention, Intervention, and Remediation is paid from lottery funds. As a result of the reduced cost of the SOQ Prevention, Intervention, and Remediation program, the projected per pupil amounts for the local lottery distribution increase. The projected net change in school division funding from the reduced cost of the SOQ Prevention, Intervention, and Remediation program and the increased local lottery distribution is a reduction of \$458,814 in fiscal year 2005 and a reduction of \$375,704 in fiscal year 2006.

- **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.

Final General Assembly Action: Adopts the Senate amendment to eliminate the no loss payments since the funding levels adopted by the General Assembly 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.

Final General Assembly Action: Same as Governor's introduced budget and includes technical updates that specify the calendar year for which the debt issuance and payments to localities shall be completed and the estimated number of schools eligible for the technology equipment grants through the Virginia Public School Authority. The debt issuance amount is updated to \$59.4 million each year based on the updated number of eligible schools. The language change clarifies school eligibility for grant funding and excludes from funding those schools or district centers that serve only pre-kindergarten students.

- **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. \$5.0 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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: Same as Governor's introduced budget and increases funding by \$336,500 each year for a total of \$4.7 million in fiscal year 2005 and \$5.4 million in fiscal year 2006 for targeted education initiatives to improve student achievement and teacher quality, including a mentoring program for teachers with no experience working in schools that are at-risk of not meeting adequate yearly progress, a middle school math teacher initiative in at-risk schools, turnaround specialists to enhance the leadership in schools that have consistently failed to show improvement in student progress, virtual Advanced Placement courses, and GED tests as required by the No Child Left Behind Act.

In addition, the funding includes \$500,000 both years for competitive grants of \$100,000 each to be awarded to school divisions that demonstrate a partnership agreement with a Virginia institution of higher education and/or other entity for a defined leadership development training program that addresses the leadership standards established for such training as defined by the Board of Education. The Department of Education shall establish the guidelines for school divisions to apply for these grants. These grants shall be allocated over the biennium.

Budget language requires the Department of Education to continue to work with school divisions to estimate the cost

impacts of the federal No Child Left Behind Act. The Superintendent of Public Instruction is required to provide an update on the effort to determine expected local cost impacts, as well as state costs, to the Chairmen of the House Appropriations and Senate Finance Committees by July 31, 2004, with subsequent updates as needed.

Other Direct Aid Policy Changes for 2004-2006 Adopted by the General Assembly Not in HB/SB 5001

- **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.

Final General Assembly Action: Provides \$105.7 million in fiscal year 2005 and \$220.3 million in fiscal year 2006 as the state share of cost for the following changes to the SOQ recommended by the Board of Education:

- Five elementary resource teacher positions per 1,000 students in grades K-5 (based on fall membership) in both years based on the staff needed to provide a total of three periods of instruction per week in the areas of art, music, and physical education;
- one quarter of the funding for the required daily planning period for middle and high school teachers in fiscal year 2005 (resulting in a 24:1 school-level pupil-teacher ratio) and the full amount of funding needed for a daily planning period in fiscal year 2006 (resulting in a 21:1 school-level pupil-teacher ratio); and,
- one support technology position per 1,000 students (based on fall membership in grades K-12) in fiscal year 2005 and

one support technology and one instructional technology position per 1,000 students (based on fall membership in grades K-12) in fiscal year 2006.

- The required additional Basic Aid funding needed to support these increased standards includes \$83.5 million in fiscal year 2005 and \$105.35 million in fiscal year 2006 transferred from the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund authorized in House Bill 5018.
 - Budget language provides that no school division will be required to maintain positions meeting the increased standards listed above until July 1, 2005 (i.e., in fiscal year 2006); however, the required local share of funding for these increased standards is a part of required local effort in fiscal year 2005.
- One Quarter Percent of Sales Tax Revenue Dedicated to Public Education

Final General Assembly Action: The Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund authorized in House Bill 5018 provides one quarter percent of sales tax revenue for public education, estimated at \$167.0 million in fiscal year 2005 and \$210.7 million in fiscal year 2006. Half of this amount (one eighth of a percent) each year will be distributed based on the most recent triennial census of school age population, consistent with the distribution of the existing one percent of sales tax dedicated to public education. For the one eighth of a percent in sales tax revenue distributed based on school age population (\$83.5 million in fiscal year 2005 and \$105.35 million in fiscal year 2006), the associated offset in the state share of Basic Aid is a \$47.0 million reduction in fiscal year 2005 and a \$59.2 million reduction in fiscal year 2006 for net additional funding of \$36.5 million in fiscal year 2005 and \$46.0 million in fiscal year 2006.

The remaining half (one eighth of a percent) each year will be appropriated to Basic Aid to support the state share of cost of the three new SOQ standards recommended by the Board of Education and listed above. The one eighth of a percent amounts are estimated to be \$83.5 million in fiscal year 2005 and \$105.35 million in fiscal year 2006.

- 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.

Final General Assembly Action: Adopts the Senate amendment. The restored funding amounts are \$22.7 million in fiscal year 2005 and \$23.0 million in fiscal year 2006 based on the final funding base adopted by the General Assembly.

- **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.

Final General Assembly Action: Provides \$21.3 million in fiscal year 2006 to end the one-month rollover of June's fringe benefits payments to the next fiscal year. The June 2005 fringe benefit payment will still be paid in July 2005. The June 2006 fringe benefit payment will not rollover to July 2006 and will be paid in June 2006.

- **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.

Final General Assembly Action: Adopts the Senate amendment.

- **Eliminate Student Achievement Grants Funding**

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

Senate: No change in funding.

Final General Assembly Action: Adopts the House amendment.

- **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.

Final General Assembly Action: Adopts the Senate amendment.

- **Funding for Senate Bill 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.

Final General Assembly Action: Provides net additional funding for Highland County of \$153,289 in fiscal year 2006. This reflects a payment of \$353,289 pursuant to Senate Bill 518 in lieu of the \$200,000 Small School Division Assistance grant in fiscal year 2006. No change is made to the existing \$200,000 Small School Division Assistance grant for the City of Norton in either year.

- **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.

Final General Assembly Action: Adopts the House amendment providing \$250,000 each year for the Wolf Trap Institute for Early Learning Through the Arts to support reading and other educational skills in pre-school children and to support professional development opportunities for educators.

- **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.

Final General Assembly Action: No change in funding.

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

Special Note: The per pupil amounts and projected entitlements for fiscal years 2005 and 2006 for each school division contained in Attachment B and the Excel calculation file include funding for various technical corrections that were identified after the Governor submitted his introduced budget. The technical corrections pertain to fall membership and LEP and special education child counts. In addition, data was provided by VRS to calculate an updated prevailing non-professional VRS rate (updated to 4.94 percent).

House: No funding.

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.

Final General Assembly Action: The General Assembly did not provide additional funding to fund these technical corrections or the updated VRS rate; however, the General Assembly directed that school division entitlements and per pupil amounts reflect these corrections and the rate update. The per pupil amounts and total funding amounts contained in Attachment B and the Excel calculation file reflect those corrections and the updated VRS rate for all school divisions. These corrections and the updated VRS rate total approximately \$12.5 million in fiscal year 2005 and \$13.1 million in fiscal year 2006 or approximately 0.5% of the total projected Basic Aid entitlements in each school division. If sufficient savings in actual costs are not obtained or if additional funds are not made available when payments must be made, Basic Aid payments may have to be reduced or prorated among all school divisions. Division entitlements presented in

Attachment B and the Excel calculation file show full funding for these technical corrections and the updated VRS rate and do not include an estimated proration amount in the event sufficient funding is not available.

- **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 among all school divisions participating in the program where the shortfall occurred.

Senate: No language provided.

Final General Assembly Action: Adopts the House amendment.

- **Eliminate the SOL Remediation Program**

Final General Assembly Action: Eliminates this program in both years of the biennium, reducing funding by \$17.3 million in fiscal year 2005 and by \$17.4 million in fiscal year 2006.

Contingent Appropriations Proposed in the Introduced Budget (HB/SB 5001)

The following initiatives were proposed in the Governor's introduced 2004-2006 budget (HB/SB 5001) with the funding contingent on various actions being approved by the General Assembly including the Governor's proposed tax reform package.

- **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.

Final General Assembly Action: Adopts the House and Senate amendments to eliminate the funding.

- **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."

Final General Assembly Action: Removes contingency language. See "Final General Assembly Action" section labeled "Change Virginia Retirement System (VRS) Employer Contribution Rates for Professional Positions" for more information.

- **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.

Final General Assembly Action: Adopts the Senate amendment.

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

Governor: In prior biennia, ESL funding was based on 10 teachers per 1,000 limited English proficient (LEP) students. In the 2004-2006 biennium, ESL funding would be based on an increase to 17 teachers per 1,000 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.

Final General Assembly Action: Adopts the Senate amendment.

Note: ESL positions become an SOQ staffing requirement and a part of required local effort beginning in fiscal year 2005.

- **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.

Final General Assembly Action: Funding is increased by \$22.6 million in fiscal year 2005 and \$28.1 million in fiscal year 2006 as a result of funding formula changes that eliminate the deduction of Title I students from the formula for determining the number of unserved children and by increasing funding to serve 90 percent of the unserved children in fiscal year 2005 and 100 percent of the unserved children in fiscal year 2006 (increased from the current provision providing for 60 percent of the unserved students to be served). 100 percent of Head Start children will continue to be deducted in the formula. This additional state funding

will significantly increase funded student slots in both years. Contingency language that was contained in the introduced budget is eliminated.

Budget language includes the establishment of measurable academic standards focusing on student achievement and success and readiness for kindergarten. Students are required to be evaluated by school divisions as determined by the Department of Education and division superintendents must certify that the local program follows the established standards as a condition for receiving state funding. The department will provide additional information and guidance on the new standards required for this program at a later date in a separate memorandum.

Budget language allows programs to operate on a full-day or half-day basis. Programs operating half-day will receive state funds pro-rated on a fractional basis as determined by the portion of a full-day, school year program that is provided. The deadline for divisions to submit applications to the department for fiscal year 2005 is extended from May 15, 2004, to June 30, 2004.

**DOE CENTRAL OFFICE BUDGET - 2004-2006 Biennial Budget
(HB/SB 5001)**

• **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.

Final General Assembly Action: 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.

Final General Assembly Action: Adopts the Senate amendment.

- **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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: 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.

Final General Assembly Action: Same as Governor's introduced budget.

- **Transfer Proprietary Schools Function to the State Council for Higher Education in Virginia (SCHEV)**

Final General Assembly Action: Transfers the special funds and one position related to the proprietary school function from the Department of Education to SCHEV pursuant to House Bill 637.