

Summary of Budget Amendments Adopted by the Senate and by the House of Delegates to the 2008-2010 Biennial Budget as Introduced (HB/SB 30) Affecting the Direct Aid to Public Education and Department of Education Central Office Budgets

This document provides a summary of amendments to the introduced 2008-2010 biennial budget (HB/SB 30) that were separately adopted by the House of Delegates and by the Senate on February 21, 2008. The respective amendments proposed by the Senate and by the House of Delegates change the budget introduced by Governor Kaine in HB/SB 30. The adopted changes affect fiscal years 2009 and 2010. Fiscal year 2009 begins on July 1, 2008, and ends on June 30, 2009. Fiscal year 2010 begins on July 1, 2009, and ends on June 30, 2010.

The budget actions proposed by Governor Kaine in HB/SB 30 were communicated in Attachment A of Informational Superintendent's Memorandum No. 261 dated December 21, 2007. The original text of that attachment is repeated in this document for reference purposes. The subsequent budget actions proposed by Governor Kaine in his Executive Amendments, and those by the Senate and the House of Delegates are summarized in this document and are reflected in italicized text.

Information related to the Direct Aid to Public Education and the Department of Education Central Office budget amendments are organized into the following two main sections:

Section A. Direct Aid to Public Education Budget

1. Technical Updates to Existing Programs
2. Direct Aid Budget Policy Changes
3. Other Funding Amendments for Direct Aid Programs Not in HB/SB 30 as Introduced
4. Language-Only Amendments for Direct Aid Programs Not in HB/SB 30 as Introduced

Section B. Department of Education Central Office Budget

1. Changes to Central Office Included in HB/SB 30
2. Changes to Central Office Not Included in HB/SB 30

Information on proposed Senate and House of Delegates budget changes to the Department of Education Central Office budget begins on page 26 of this document.

A. DIRECT AID TO PUBLIC EDUCATION BUDGET

1. Technical Updates to Existing Programs

Rebenchmark Direct Aid Costs for 2008-2010

- **Governor** - The Governor's introduced budget includes the state's share of routine rebasing costs for all of the Standards of Quality and other Direct Aid 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, enrollment updates, and projected caseloads for categorical programs. Additional information about the details and source of the data used to make these updates is contained in Attachments D and E of Informational Superintendent's Memorandum No. 261. These adjustments reflect the cost of continuing current programs with the required data updates used in the funding formulas, and do not reflect any changes in policy. For fiscal year 2009, routine rebasing costs for the Standards of Quality and other Direct Aid programs results in an increase of \$455.6 million. For fiscal year 2010, the increase is \$492.1 million.
- **Executive Amendment** - *In January of 2008, the Governor proposed an executive amendment to correct a school division's December 1, 2006, special education child count. The Governor's amendment increases funding by approximately \$3.8 million in fiscal year 2009 and \$4.0 million in fiscal year 2010 as a result of the school division's corrected child count. The Governor also proposed an executive amendment to reduce funding for the Special Education Regional Tuition program by approximately \$1.1 million in fiscal year 2009 and \$1.7 million in fiscal year 2010 to reflect the latest information on actual program participation.*
- **Senate** - *Same as Governor's introduced budget. Accepted the Governor's executive amendments.*
- **House** - *Same as Governor's introduced budget. Accepted the Governor's Special Education Regional Tuition program executive amendment but only funded the school division's*

corrected December 1, 2006, special education child count in fiscal year 2009.

Update Fringe Benefit Rates

- **Governor** - The Governor's introduced budget adopts a lower employer contribution rate for instructional retirement benefits in 2008-2010 than was certified by the VRS Board of Trustees (9.35 percent versus 11.84 percent). This lower instructional rate is applied to positions in the VRS professional group. The instructional rate proposed for 2008-2010 represents a rate decrease from fiscal year 2008 (10.30 percent to 9.35 percent). The prevailing non-professional VRS rate has been updated and is 7.60 percent for both years of the biennium. This prevailing rate is used for state funding purposes only; the actual non-professional rate charged by VRS will vary by school division. For the retiree health care credit, the rate proposed for 2008-2010 reflects a rate decrease from fiscal year 2008 (1.16 percent to 1.12 percent). For the group life contribution, the rate proposed for 2008-2010 reflects a rate decrease from fiscal year 2008 (0.40 percent to 0.36 percent). All fringe benefit rates are proposed to be the same in both fiscal years. These rate changes reduce funding by \$29.3 million in fiscal year 2009 and \$29.5 million in fiscal year 2010 (compared to costs based on fiscal year 2008 rates).

- **Senate** - *Proposes decreasing the employer contribution rate for VRS retirement benefits from 9.35 percent to 8.81 percent. This new rate is the same in both fiscal years. The proposed rate reflects a change in the amortization period from a period of 24 years to 30 years and assumes an eight percent rate of return. The result of this rate change decreases state funding by approximately \$15.4 million in fiscal year 2009 and \$15.7 million in fiscal year 2010 compared to the Governor's introduced budget. The Senate budget adopts the Governor's recommended employer contribution rates for group life (0.36 percent), retiree health care credit (1.12 percent), and non-professional VRS retirement benefits (7.60 percent).*

- **House** - *Proposes decreasing the employer contribution rate for VRS retirement benefits from 9.35 percent to 8.81 percent. This new rate is the same in both fiscal years. The proposed rate reflects a change in the amortization period from a period of 24 years to 30 years and assumes an eight percent rate of return. The House also reduced the group life*

employer contribution rate from 0.36 percent to 0.33 percent and the retiree health care credit rate from 1.12 percent to 1.08 percent. The House budget adopts the Governor's recommended employer contribution rate for non-professional VRS retirement benefits of 7.60 percent. The result of these rate changes decreases state funding by approximately \$17.6 million in fiscal year 2009 and \$17.8 million in fiscal year 2010, compared to the Governor's introduced budget.

FUNDED FRINGE BENEFIT RATES:	FY 2008	2008-2010		
		Governor's Introduced	Senate Budget	House Budget
Instructional VRS (Employer Share) (Does not include RHCC - see below)	10.30%	9.35%	8.81%	8.81%
Instructional VRS (Employee Share)	5.00%	5.00%	5.00%	5.00%
Total Instructional VRS Rate	15.30%	14.35%	13.81%	13.81%
Group Life (Employer Share)	0.40%	0.36%	0.36%	0.33%
Group Life (Employee Share)	0.60%	0.53%	0.53%	0.53%
Total Group Life Rate	1.00%	0.89%	0.89%	0.86%
Retiree Health Care Credit (Paid as part of the VRS per pupil amount)	1.16%	1.12%	1.12%	1.08%
Non-professional Support VRS	7.48%	7.60%	7.60%	7.60%
Social Security	7.65%	7.65%	7.65%	7.65%
Health Care Premium	\$4,274	\$5,211	\$5,211	\$5,188
Total Instructional Benefit Percent (Employer Share)	19.51%	18.48%	17.94%	17.87%
Total Non-professional Support Benefit Percent	15.53%	15.61%	15.61%	15.58%

Update Sales Tax Projections

- Governor** - The Governor's introduced budget reflects the most recent estimate of sales tax revenue dedicated to public education for fiscal years 2009 and 2010, as computed by the Department of Taxation. The revised sales tax revenues include both the one percent portion and the one-eighth percent portion that are appropriated for distribution to school divisions. The projected sales tax entitlement contained in Attachment B of Informational Superintendent's Memorandum No. 261 and in the Excel calculation file reflects the revised estimates for these two sales tax sources combined as a single revenue line-item.

The Department of Taxation's latest estimate of the one percent and one-eighth percent sales tax revenue is \$1,220,200,000 for fiscal year 2009 and \$1,289,200,000 for fiscal year 2010. These revised sales tax estimates are approximately \$18.0 million higher in fiscal year 2009 and \$87.0 million higher in fiscal year 2010 than the fiscal year 2008 estimate contained in Chapter 847. As required by the Basic Aid funding formula, state Basic Aid payments have been adjusted to reflect the reduced state share of cost resulting from the projected increase in sales tax revenues.

The amount of the Basic Aid offset depends on each division's composite index of local ability-to-pay. The state share of Basic Aid decreases approximately \$10.1 million in fiscal year 2009 and \$49.0 million in fiscal year 2010 due to the revised sales tax estimates. In addition, the local share of Basic Aid decreases in both years due to the increased sales tax estimates. The net change in state funding to school divisions (due to both the estimated sales tax revenue increase and the Basic Aid offset) is an increase of \$7.8 million in fiscal year 2009 and \$37.9 million in fiscal year 2010.

- **Executive Amendment** - *In January of 2008, the Governor proposed an executive amendment to reduce the estimate of sales tax revenues for fiscal years 2009 and 2010 based on the Department of Taxation's latest estimate of sales tax revenues. The Governor's amendment reduces the sales tax estimates by \$25.0 million to \$1,195,200,000 in fiscal year 2009 and by \$33.7 million to \$1,255,500,000 in fiscal year 2010. These reductions generate a net state funding decrease to school divisions of \$10.9 million in fiscal year 2009 and \$14.6 million in fiscal year 2010.*
- **Senate** - *Accepts the Governor's Executive Amendment.*
- **House** - *Accepts the Governor's Executive Amendment.*

Sales Tax Exemption

- **Executive Amendment** - *Reduces the sales tax estimates by \$494,100 in fiscal year 2009 and \$296,460 in fiscal year 2010 based on economic development incentives proposed by the Governor that provide sales tax exemptions for certain business sectors. These actions result in a net savings to*

the state of \$214,939 in fiscal year 2009 and \$128,845 in fiscal year 2010.

- **Senate** - *Accepts the Governor's Executive Amendment.*
- **House** - *Accepts the Governor's Executive Amendment.*

Update Triennial Census for 2008 Data

- **Governor** - The 2005 triennial census count of school-age population is used to distribute the fiscal year 2009 estimated sales tax proceeds to school divisions as part of the Basic Aid funding formula. The upcoming 2008 triennial census count of school-age population will be used to distribute the fiscal year 2010 estimated sales tax proceeds to school divisions as part of the Basic Aid funding formula. The 2008 triennial census data will not be used for distribution of sales tax proceeds during fiscal year 2009.

In accordance with the provisions of §22.1-281 through §22.1-286, *Code of Virginia*, March 1 through July 15, 2008, is designated as the period during which the 2008 school census will be conducted and completed. The next summary of census returns is due to the department on or before August 15, 2008. Please see Administrative Superintendent's Memorandum Number 53 dated December 14, 2007, for further details.

- **Senate** - *Same as Governor's introduced budget.*
- **House** - *Same as Governor's introduced budget.*

Update Lottery Proceeds

- **Governor** - Total Lottery proceeds are projected to increase by \$44.6 million to \$450.0 million in both fiscal year 2009 and fiscal year 2010, compared to the fiscal year 2008 Lottery estimate contained in Chapter 847. Of the total projected Lottery amount, \$19.5 million in fiscal years 2009 and 2010 is dedicated to fund a portion of the state cost of the SOQ Prevention, Intervention, and Remediation program, and \$264.8 million each year is dedicated to fund a portion of the state share of Basic Aid. The local portion of Lottery proceeds is projected to be distributed based on the state share of \$246.48 per pupil in adjusted ADM in fiscal year 2009 and \$245.57 per pupil in adjusted ADM in fiscal year 2010. The total estimated funding to be distributed to school divisions on a per pupil basis is \$165.7 million in fiscal years 2009

and 2010; this is an increase of \$17.2 million compared to the estimated per pupil Lottery funding for fiscal year 2008 contained in Chapter 847. No changes are proposed for 2008-2010 regarding how Lottery funds must be spent, including the requirement that at least 50 percent of the funds must be spent for nonrecurring costs such as school construction.

- **Senate** - *The Senate proposed budget redirects all of the Governor's estimated increase in Lottery profits (\$44.6 million) to the state share of Basic Aid. The net result of this action is a \$17.2 million decrease in the local Lottery distribution to school divisions in fiscal year 2009 and fiscal year 2010. The local portion of Lottery proceeds are projected to be distributed based on the state share of \$220.94 per pupil in adjusted ADM in fiscal year 2009 and \$220.12 per pupil in adjusted ADM in fiscal year 2010. The total estimated funding to be distributed to school divisions on a per pupil basis is \$148.5 million in fiscal years 2009 and 2010. No changes are proposed for 2008-2010 regarding how Lottery funds must be spent, including the requirement that at least 50 percent of the funds must be spent for nonrecurring costs such as school construction.*

The Senate budget also includes \$22.0 million in additional Lottery proceeds in fiscal year 2009 and fiscal year 2010 compared to the Lottery projections contained in the Governor's introduced budget (HB/SB 30). The Senate redirects all of the additional \$22.0 million in projected Lottery proceeds each year to the state share of Basic Aid.

- **House** - *Funded the local Lottery allocation provided in the Governor's introduced budget. The local portion of Lottery proceeds is projected to be distributed based on the state share of \$246.48 per pupil in adjusted ADM in fiscal year 2009 and \$245.57 per pupil in adjusted ADM in fiscal year 2010.*

The House budget also includes \$29.0 million in additional Lottery proceeds in fiscal year 2009 and \$24.0 million in fiscal year 2010 compared to the Lottery projections contained in the Governor's introduced budget (HB/SB 30). The House redirects all of the additional \$29.0 million in projected Lottery proceeds in fiscal year 2009 and \$24.0 million in fiscal year 2010 to the state share of Basic Aid.

Updates for Recalculation of Composite Index for 2008-2010

- **Governor** - The projected entitlements listed in Attachment B of Informational Superintendent's Memorandum No. 261 were calculated using the 2008-2010 composite indices communicated in Informational Superintendent's Memorandum Number 241, dated November 14, 2007. The 2008-2010 composite index was calculated using 2005 base-year data provided by the Department of Taxation for adjusted gross income, taxable retail sales, and true value of real property. The estimates of local population for 2005 are provided by the Weldon Cooper Center for Public Service at the University of Virginia, and the March 31, 2006, average daily membership is based on data reported by school divisions to the Department of Education. For fiscal year 2009, updating Direct Aid accounts based on the recalculated 2008-2010 composite index results in an increase in the state share of Direct Aid funding of \$4.9 million. For fiscal year 2010, the increase is \$5.0 million.
- **Senate** - *Same as Governor's introduced budget.*
- **House** - *Same as Governor's introduced budget.*

2. Direct Aid Budget Policy Changes

Virginia Preschool Initiative (VPI)

- **Governor** - An additional \$15.1 million in fiscal year 2009 and \$30.0 million in fiscal year 2010 (\$15.1 million general fund and \$14.9 million nongeneral fund) is provided to fund an expansion of the Virginia Preschool Initiative (additional funding is also provided in the Department of Education's and Department of Social Services' budgets for program administration and support components). The proposal increases the maximum per-pupil amount to \$6,790, caps the composite index at fifty percent, uses free and reduced-price lunch eligibility as the at-risk criterion in the funding formula, and funds a minimum of nine student slots per division. The following is a summary of key appropriation act provisions of the proposed program expansion:
 - By fiscal year 2012, all providers of state-funded preschool programs, whether public or private, shall demonstrate the quality of their programs by participating in the Quality Rating and Improvement System (QRIS);

Attachment B to Inf. Supts. Memo No. 042

- The Department of Education shall establish academic standards that are in accordance with appropriate preparation for students to be ready to successfully enter into kindergarten;
- Superintendents of each participating school division or the chief administrators of each participating local government, or their respective designee, must certify that the Virginia Preschool Initiative program follows the established standards and criteria for the service components in order to receive the funding for quality preschool education;
- Funding provided to school divisions or local governments shall be distributed based on an allocation formula providing the state share of per pupil funding ranging from \$5,700 to \$6,790 per pupil for unserved at-risk four-year-olds in each locality for a full-day program. Federal free and reduced-priced lunch program eligibility data from the 2006-2007 school year is used as the at-risk criterion in the funding formula for determining the number of at-risk four-year-olds;
- A minimum of nine student slots per grantee are funded to ensure that at least one preschool classroom is funded in each locality;
- In determining the state and local shares of funding, the composite index of local ability-to-pay is capped at 0.5000;
- No tuition shall be charged by public or private providers for the instructional services supported by the program;
- Programs provided by school divisions or local governments operating half-day shall receive state funds based on a fractional basis determined by the pro-rata portion of a full-day, school year program that is provided. For new programs in the first year of implementation only, programs operating less than a full school year shall receive state funds on a fractional basis determined by the pro-rata portion of a school year program that is provided. In determining the prorated state funds to be received, a full day program shall be 5.5 hours of instructional time and a school year shall be 180 days;

- A required local match, based on the composite index of local ability-to-pay capped at 0.5000, shall be required for school division and local government grantees. For purposes of meeting the local match, localities may use local expenditures for existing qualifying programs. In-kind contributions of local funds may be applied to meet up to 25 percent of the required local match amount. Private funds contributed for use in the program qualify as local funds toward meeting the required local match;
- Within a local school division or locality, at least 10 percent of any additional student slots funded each year above the number of slots served in fiscal year 2008 must be offered to local private providers through a locally established public-private partnership. School divisions and local governments are waived from this requirement when no QRIS rated private preschool programs serving four-year-old children exist in the locality or no private provider agrees to participate. This requirement does not apply when the total number of funded slots in either year is less than 10;
- Where a local public-private partnership is established and student slots are utilized in private provider settings, school division or local government grantees are required to serve as the fiscal agent for any public funds received and are required to provide on-going program monitoring and oversight of the private provider;

Initial Funding Allocation

- An initial funding allocation based on the number of student slots determined by free or reduced-price lunch eligibility and adjusted for an estimated program participation factor;

Second Funding Allocation

- If a balance of funds remains after the initial allocations are claimed, additional funds may be allocated with the intent to provide school divisions or local governments the same amount of funding in both years that they received in state funds under the program in fiscal year 2008. Any additional student slots funded through this allocation are not subject to the 10 percent private placement requirement;

- If there are no balances after the initial allocations are claimed, a school division receiving less funds than it was paid in fiscal year 2008 shall be adjusted to the amount paid in fiscal year 2008 if it is serving at least the same number of students served in fiscal year 2008. The resulting payment for the remaining school divisions shall be prorated proportionally if funds are not sufficient to fully fund all allocations of additional funding resulting from this calculation;

Third Funding Allocation

- If a balance of funds remains after the second allocation is completed, additional funds may be allocated with the intent to provide school divisions or local governments funding for additional student slots beyond those provided through the initial allocation. Eligible school divisions or local governments may receive additional funding for additional student slots based on the state share of \$5,700 to \$6,790 per pupil not to exceed their total student slot allocation assuming a 100 percent participation rate applied to the funding formula and based on the certified number of eligible students served. Any additional student slots funded in this allocation are not subject to the 10 percent private placement requirement. Under this allocation, payments will be prorated proportionally if funds are not sufficient to fully fund all requests for additional funding;

Direct Private Provider Funding

- If a balance of funds remains after the first three allocations are completed each year, an allocation of per pupil funds may be provided directly to private preschool providers. Notification will be provided to private preschool providers statewide in the event funds are available for allocation;
- Funds under this allocation will be provided on a competitive application basis using criteria determined by the Department of Education and the Department of Social Services. Private providers requesting per pupil funds may apply to receive the lesser of the state share of \$6,790 per pupil or the state share of the actual per student tuition cost currently charged for the private program; and

- Private providers who serve children who qualify for free or reduced-price lunch and who participate in the QRIS may apply directly to the Department of Education for funds not claimed by local governments or school divisions. From such funds as are available, the Department of Education shall base its payment on the same calculation that it would pay to the local government or school division in which the private provider is located.
- **Senate** - *The Senate budget makes several amendments to the policy changes proposed in the Governor's introduced budget regarding VPI as follows:*
 - *Reduces the maximum per pupil amount to \$6,000 for FY 2009 (down from \$6,790, while retaining the \$6,790 per pupil amount for FY 2010);*
 - *Removes the composite index cap of 0.5000;*
 - *Lowers reduced-priced lunch eligibility as part of the at-risk criterion in the funding formula by recognizing 10 percent of students eligible for reduced-price lunch for FY 2009 and 20 percent for FY 2010;*
 - *Removes the minimum of nine slots funded per division; and*
 - *Assumes 100 percent participation for unserved at-risk 4-year-olds.*
 - *Authorizes the department to expend unobligated balances in the program for grants to qualifying schools and community-based groups for one-time expenses, other than capital, related to start-up or expansion of programs.*

The Senate budget for VPI also includes a non-participation savings estimate of 19 percent of the program cost in fiscal year 2009 and 15 percent of the program cost in fiscal year 2010. If actual participation in the program exceeds the available appropriation, and no additional appropriation is provided in subsequent changes to the 2008-2010 budget or other fund balances are not available, payments may be prorated. In total, the Senate changes generate state savings of \$6.8 million in fiscal year 2009 and \$6.3 million in fiscal year 2010. The Senate proposal maintains the private participation provisions recommended in the introduced budget and maintains the quality rating system requirements. Please see Attachment H for information regarding the number of funded VPI slots in the House and Senate budget proposals.

- **House** - *The House budget eliminates the policy changes proposed in the Governor's introduced budget and retains the*

funding allocation methodology as set forth in Chapter 847 of the 2007 Appropriation Act for FY 2008. Specifically, the House makes the following changes:

- Reduces the maximum per pupil amount back to \$5,700 (down from \$6,790);
- Removes the composite index cap of 0.5000;
- Eliminates reduced-price lunch eligibility as part of the at-risk criterion in the funding formula;
- Removes the minimum of nine slots funded per division;
- Assumes 100% participation of unserved at-risk four-year-olds;
- Eliminates the use of Temporary Assistance for Needy Families (TANF) federal funds as a fund source for the VPI program; and
- Removes the private provider and quality rating system provisions proposed in the introduced budget.

The House budget for VPI also includes a non-participation savings estimate of 15 percent of the program cost in each year of the biennium. If actual participation in the program exceeds the available appropriation, and no additional appropriation is provided in subsequent changes to the 2008-2010 budget or other fund balances are not available, payments may be prorated. In total, the House changes generate state savings of \$9.1 million in fiscal year 2009 and \$23.0 million in fiscal year 2010. Please see Attachment H for information regarding the number of funded VPI slots in the House and Senate budget proposals.

Compensation Supplement

- **Governor** - An additional \$118.4 million in fiscal year 2010 is provided for the state's share of a Compensation Supplement (including related fringe benefit costs) equivalent to a 3.0 percent salary increase effective July 1, 2009, for instructional and support positions funded through the SOQ and other state-funded accounts. An additional \$14.0 million in fiscal year 2010 is provided for the state's share of a Compensation Supplement (including fringe benefit costs) equivalent to an additional 0.5 percent salary increase effective July 1, 2009, for instructional positions only (including: teachers, guidance counselors, librarians, principals, assistant principals, and teacher aides). Total projected state funding in fiscal year 2010 for the Compensation Supplement is \$132.4 million.

Compensation supplement funds are intended to be incentive funding, and are not included as part of required local effort for the SOQ; however, in order to receive the state funds, a local match must be provided based on the composite index. If appropriated, the state funds would be paid to school divisions that certify to the Department of Education, no later than December 1, 2009, that equivalent salary increases have been granted in fiscal year 2010. The table below provides the equivalent salary increases for different start dates in fiscal year 2010. Please note that the equivalent salary increases are based on a twelve-month year.

Required Equivalent Percentage Salary Increase in FY 2010		
Start Date	Instructional Positions ¹	Support Positions ²
July 1, 2009	3.50%	3.00%
August 1, 2009	3.82%	3.27%
September 1, 2009	4.20%	3.60%
October 1, 2009	4.67%	4.00%
November 1, 2009	5.25%	4.50%
December 1, 2009	6.00%	5.14%
January 1, 2010	7.00%	6.00%

1. **Instructional Positions** - Includes teachers, guidance counselors, librarians, principals, assistant principals, and teacher aides.
 2. **Support Positions** - Includes superintendents, nurses, other support staff, and substitutes
- **Senate** - Reduces the funded compensation supplements for instructional and support positions from the Governor's introduced budget. Funding is provided for a 2.5 percent increase effective December 1, 2009, for instructional and support positions funded through the SOQ and other state-funded accounts (down from 3.5 percent for instructional positions and 3.0 percent for support positions effective July 1, 2009, as provided in the introduced budget). This action results in a state savings of \$74.8 million in fiscal year 2010.

These compensation supplement funds are intended to be incentive funds, and would not be included as part of required local effort. However, in order to receive the state funds, a

local match would have to be provided based on the composite index; this local match requirement requires certification on the department's yearly "Required Local Match" data collection.

If appropriated, the state funds would be paid to school divisions that certify to the Department of Education that equivalent salary increases have been granted locally in fiscal year 2010. The table below provides the equivalent salary increases for different start dates. Please note that the equivalent salary increases are based on a twelve-month year.

<i>Local Salary Increase Start Date</i>	<i>Required Equivalent Percentage Salary Increase in FY 2010</i>
July 1, 2009	1.46%
August 1, 2009	1.59%
September 1, 2009	1.75%
October 1, 2009	1.94%
November 1, 2009	2.19%
December 1, 2009	2.50%

- **House** - The House budget includes an additional \$45.2 million in fiscal year 2009 and \$77.6 million in fiscal year 2010 to provide for the state's share of a compensation supplement (including related fringe benefit costs) equivalent to a two percent salary increase effective December 1, 2008, for instructional and support positions funded through the SOQ and other state-funded accounts.

These compensation supplement funds are intended to be incentive funds, and would not be included as part of required local effort. However, in order to receive the state funds, a local match would have to be provided based on the composite index; this local match requirement requires certification on the department's yearly "Required Local Match" data collection.

If appropriated, the state funds would be paid to school divisions that certify to the Department of Education that equivalent salary increases have been granted locally in fiscal year 2009. The table below provides the equivalent salary increases for different start dates. Please note that

the equivalent salary increases are based on a twelve-month year.

Local Salary Increase Start Date	Required Equivalent Percentage Salary Increase in FY 2009
July 1, 2008	1.17%
August 1, 2008	1.27%
September 1, 2008	1.40%
October 1, 2008	1.56%
November 1, 2008	1.75%
December 1, 2008	2.00%

In addition, the House budget removes the fiscal year 2010 salary increase of 3.5 percent for instructional positions and the 3.0 percent salary increase for support positions effective July 1, 2009, provided in the Governor's introduced budget. This action results in a state savings of approximately \$130.7 million in fiscal year 2010. The House budget utilizes a portion of these savings to establish a reserve fund of \$53.0 million in fiscal year 2010 to support a salary increase for state employees, including state-supported local employees, and teacher salaries contingent on the general fund revenue assumptions on which the budget is based being realized.

Increase Literary Fund Transfer for Teacher Retirement

- **Governor** - The amount transferred from the Literary Fund to support the state share of cost for teacher retirement is increased by \$55.0 million in fiscal year 2009, from \$116.1 million to \$171.1 million. In fiscal year 2010, the Literary Fund transfer amount has been reduced by \$25.0 million, from \$116.1 million to \$91.1 million. These actions do not affect division per pupil amounts or projected entitlements for VRS retirement in fiscal year 2009 or fiscal year 2010.
- **Senate** - Accepts the Governor's recommendations and transfers an additional \$14.0 million in fiscal year 2009 (\$6.8 million carried forward from amounts unspent in fiscal year 2008, \$7.2 million from the amount the Governor's budget allocated for the interest rate subsidy program in fiscal year 2009) from the Literary Fund to support the state share of cost for teacher retirement. Based on these actions, \$12.8 million in

fiscal year 2009 and \$15.0 million in fiscal year 2010 remain for the interest rate subsidy program.

- **House** - *Accepts the Governor's recommendations and transfers an additional \$25.0 million in fiscal year 2009 and fiscal year 2010 from the Literary Fund to support the state share of cost for teacher retirement. The House also provides an additional \$5.0 million in general funds in fiscal year 2010 for the interest rate subsidy program, increasing the amount available from \$15.0 to \$20.0 million.*

Interest Rate Subsidy Program

- **Governor** - *Language in the Governor's budget authorizes the Virginia Public School Authority to provide \$20.0 million in fiscal year 2009 and \$15.0 million in fiscal year 2010 from the Literary Fund for the interest rate subsidy program for Literary Fund projects on the First Priority Waiting List.*
- **Senate** - *Based on the additional transfer of Literary Fund revenues to the state share of cost for teacher retirement referenced above, the Senate budget provides \$12.8 million in fiscal year 2009 and \$15.0 million in fiscal year 2010 for the interest rate subsidy program.*
- **House** - *Accepts the Governor's proposal for fiscal year 2009 and increases the Governor's fiscal year 2010 recommendation by \$5.0 million to \$20.0 million.*

Data Coordinator for At-Risk High Schools

- **Governor** - *An additional \$2.1 million is provided to support the salary and fringe benefits costs of one data coordinator per high school that is considered at-risk. Only divisions with high schools that either have not met Adequate Yearly Progress (AYP) under the federal No Child Left Behind Act or are not fully accredited under the Standards of Accreditation would be eligible for this funding. This involves 54 high schools statewide based on 2007-2008 AYP and state accreditation ratings.*

The data coordinator position is intended to provide schools with needed support in the area of data analysis and interpretation for instructional purposes, as well as overall data management and the administration of state assessments. The position would primarily focus on data related to instruction and school improvement, including: student

assessment, student attendance, student/teacher engagement, behavior referrals, suspensions, retention, and graduation rates. School divisions will allocate these funds for data coordinator positions employed by the school division or contracted by the local school division to provide these services in the identified high schools. Individuals serving in this role must hold a current Virginia instructional license.

Localities receiving these incentive payments are required to match these funds based on the composite index of local ability-to-pay.

- **Senate** - *The Senate budget eliminates funding in fiscal year 2010 for the addition of one data coordinator per high school that is considered at-risk, generating a state savings of \$2.1 million in fiscal year 2010.*
- **House** - *Same as the Senate amendment.*

Fiscal Year 2008 Base Budget Adjustments for One-Time Funding

- **Governor** - The Governor's introduced budget removes funding from several programs that were funded in fiscal year 2008 as one-time funding. These reductions include approximately \$2.6 million each fiscal year for the six VPI preschool pilots, \$300,000 each fiscal year for Project WORD, \$150,000 each fiscal year for math specialists, \$200,000 each fiscal year for the Middle Peninsula Regional Career and Technical center planning grant, \$150,000 each fiscal year for foster care transportation, \$100,000 each fiscal year for Jobs for Virginia Graduates, and \$500,000 each fiscal year for Career and Technical Education equipment.
- **Senate** - *The Senate budget restores funding for Jobs for Virginia Graduates, providing \$100,000 in each year of the biennium.*
- **House** - *Same as Governor's introduced budget.*

Continue Fiscal Year 2008 Budget Reductions

- **Governor** - The Governor's introduced budget includes two budget reductions that have been continued from fiscal year 2008 into the 2008-2010 biennium. For fiscal years 2009 and 2010, funding for the Southside Virginia Technology Consortium is reduced by \$5,000, decreasing the budgeted amount from

\$100,000 to \$95,000 each fiscal year. Funding for the Virginia Educational Technology Alliance is reduced by \$2,500, decreasing the budgeted amount from \$50,000 to \$47,500 each fiscal year.

- **Senate** - Same as Governor's introduced budget.
- **House** - Same as Governor's introduced budget.

Supplemental Education Accounts

- **Governor** - For fiscal years 2009 and 2010, an additional \$75,000 each year is provided for the Virginia Career Education Foundation. For fiscal year 2010 only, an additional \$100,000 is provided for the Project Discovery program, and an additional \$500,000 is provided for a matching grant for the Communities in Schools program.

For the 2008-2010 biennium, funding for the Virginia Teacher Scholarship Loan Program and the National Board Certification Program has been transferred from the Department of Education, Central Office Operations budget, to Supplemental Education under Direct Aid to Public Education. This move will not have any programmatic impact and is intended to consolidate all state grant programs in the Direct Aid budget.

The Governor has also provided an additional \$926,625 in each year of the biennium to support the projected number of eligible teachers qualifying for the National Board Certification bonuses.

Please note that accounts under the "Supplemental Education" category are not included in Attachment B of Informational Superintendent's Memorandum No. 261 or in the Excel template. Supplemental education programs are not available to school divisions statewide, and must serve a unique purpose for specific school divisions.

- **Executive Amendment** - In January of 2008, the Governor proposed an executive amendment to the introduced budget to increase funding for National Board Certification bonuses by \$207,500 in fiscal year 2009 based on the latest actual eligibility for the bonus payments.
- **Senate** - The Senate budget includes several updates in funding to various supplemental education programs. Second year funding for Communities in Schools is eliminated resulting in

a state savings of \$500,000 in fiscal year 2010. Funding for the Virginia Career Education Foundation is reduced by \$75,000 in each year of the biennium. The Senate recognizes the Governor's Executive Amendment that provides an additional \$207,500 in fiscal year 2009 and the Senate funds an additional \$207,500 in fiscal year 2010 to address an increase in the projected number of teachers eligible for a National Board Certification bonus.

The Senate budget also provides an additional \$150,000 in each year of the biennium for the Virginia Teaching Scholarship Loan Program and \$100,000 in fiscal year 2009 to provide planning funds for the development of a new Academic-Year Governor's School to serve Manassas City, Manassas Park City, and Prince William County.

- **House** - Several updates are made to various supplemental education programs. Funding for Project Discovery is eliminated for the biennium, resulting in a state savings of \$900,000 in fiscal year 2009 and \$1.0 million in fiscal year 2010 (school divisions are permitted to use At-Risk Add-On funding to support Project Discovery). Funding for Communities in Schools is eliminated, resulting in a state savings of \$500,000 in fiscal year 2010. Funding for the Virginia Career Education Foundation is reduced by \$75,000 in each year of the biennium. The House also recognizes the Governor's Executive Amendment, which provides an additional \$207,500 in fiscal year 2009 to address an increase in the projected number of teachers eligible for a National Board Certification bonus.

Expansion of Virtual Virginia Program

- **Governor** - The Governor's introduced budget includes additional funding for the Virtual Virginia Program to increase enrollment in on-line courses and expand on-line course offerings. An additional \$960,000 is provided in fiscal year 2010 to support an estimated 800 more students in the program.
- **Senate** - The Senate budget removes the additional \$960,000 in fiscal year 2010 for the expansion of the Virtual Virginia program.
- **House** - Same as the Senate amendment.

Career Switcher Mentor Program

- **Governor** - The Governor's introduced budget includes additional funding for mentor teachers serving Career Switcher teachers to address the projected participation in fiscal years 2009 and 2010. An additional \$100,000 is included each year of the biennium.
- **Senate** - Same as Governor's introduced budget.
- **House** - The House budget removes additional funding for the Career Switcher mentor program, resulting in a savings of \$100,000 in each year of the biennium.

Data Coordinators/At-Risk Funding

- **Senate** - Allows, rather than requires, school divisions to use At-risk funding received in fiscal year 2009 or fiscal year 2010, in excess of fiscal year 2008, to provide data coordinators in schools that are not accredited or are not meeting Adequate Yearly Progress under No Child Left Behind.
- **House** - No action was taken.

3. Other Funding Amendments for Direct Aid Programs Not in HB/SB 30 as Introduced

Adjust Spending for Education for a Lifetime Initiatives

- **Senate** - The Senate budget eliminates funding for leadership development grants, resulting in a state savings of \$500,000 in each year of the biennium. The Senate budget also captures anticipated savings of approximately \$1.4 million in fiscal year 2009 and \$1.0 million in fiscal year 2010 from three of the Education for a Lifetime programs - teacher mentoring in hard-to-staff schools, middle school math teacher corps, and turnaround specialists - based on fiscal year 2008 participation levels.
- **House** - Funding for teacher incentives in hard-to-staff schools is eliminated, resulting in a state savings of \$644,375 in each year of the biennium. Funding for leadership development grants is reduced by \$200,000 in each year of the biennium.

Governor's Schools

- **Senate** - The Senate's budget provides \$18,335 in fiscal year 2009 and \$34,379 in fiscal year 2010 for the cost of students from Madison County to begin attending the Blue Ridge Virtual Governor's School.

An additional \$110,723 is provided in fiscal year 2010 to increase the maximum number of funded student slots at academic year Governor's Schools from 1,500 to 1,600 students. This funding only affects the Thomas Jefferson High School for Science and Technology.

- **House** - No action was taken.

School Lunch Program

- **Senate** - The Senate budget provides an additional \$682,042 in fiscal year 2010 for school lunch reimbursement of 5 cents per lunch, for a projected 130 million school lunches served statewide in fiscal year 2010.
- **House** - No action was taken.

Methodology for Calculating Funded SOQ Instructional and Support Salaries (including Substitute Teacher per Position Amount)

- **Senate** - No action was taken.
- **House** - The House budget modifies the funding methodology for support positions funded through the Standards of Quality (SOQ). In calculating the funded salaries for SOQ support positions for the 2008-2010 biennium, the Department of Education is directed to use the fiscal year 2008 funded salary amounts for support positions, adjusted for the salary increases authorized by the General Assembly for SOQ support positions in 2006-2008 (i.e., three percent in 2007 and three percent in 2008). Consequently, funded salaries for support positions in the 2008-2010 biennium would be based on maintaining fiscal year 2004 prevailing division expenditures as the starting point. Based on this action, future biennial rebenchmarking of SOQ costs would not include the current practice of calculating funded support salaries based on the latest two-year update of prevailing division salary expenditures, but would be adjusted for annual state salary increase percentages since base year 2004. The House budget also includes a similar adjustment to the substitute teacher

per position amount using the same methodology as support salaries. The total state savings based on these actions is \$32.7 million in fiscal year 2009 and \$34.3 million in fiscal year 2010.

The House budget also includes language directing the Department of Education, in preparing subsequent biennial budgets (i.e., 2010-2012 biennium and beyond), to base funded salaries for SOQ instructional positions on the funded salary amounts for the 2008-2010 biennium and then adjust these amounts for the salary increases that are authorized by the General Assembly for SOQ instructional positions in the 2008-2010 biennium. Consequently, funded instructional salaries for the 2010-2012 biennium would be based on fiscal year 2006 base-year prevailing salary expenditures, and then adjusted for the state salary increase percentages for fiscal years 2007 through 2010. Based on this action, future biennial rebenchmarking of SOQ costs would not include the current practice of calculating funded instructional salaries based on the latest two-year update of prevailing division salary expenditures. This language provision has no fiscal impact in the 2008-2010 biennium.

Remove Federal Revenue Deduct Cap

- **Senate** - No action was taken.
- **House** - *The House budget removes the current cap on the federal revenue deduction that may be applied to a school division's Standards of Quality (SOQ) Basic Aid calculation. The existing cap limits the deduction to the lesser of the school division's per pupil amount or the statewide prevailing average per pupil amount. Under the House proposal, the deduction will revert to the school division's per pupil amount, resulting in a state savings of \$11.1 million in fiscal year 2009 and \$11.0 million in fiscal year 2010.*

Set Cap on Non-Personal Inflation Factors in SOQ

- **Senate** - No action was taken.
- **House** - *The House budget modifies the cap on inflation factors for non-personal costs in the SOQ by recognizing 100 percent of the first three percent of inflation (down from five percent) and 50 percent of the remaining inflation factor up to a cap of five percent. As a result of this change, the funded health care premium amount is reduced from \$5,211*

(Governor's introduced budget) to \$5,188 and the funded textbook per pupil amount is reduced from \$119.39 to \$118.52 per pupil. The modified inflation factors result in a state savings of \$10.2 million in each fiscal year.

Set minimum free lunch eligibility at 16% for At-Risk Add-on funding eligibility

- **Senate** - No action was taken.
- **House** - The House budget establishes a minimum eligibility requirement for the At-Risk Add-on payment, resulting in a state savings of \$2.6 million in each year of the biennium. School divisions must have a base year free lunch eligibility percentage of sixteen percent or greater in order to qualify for At-Risk Add-on funding in fiscal years 2009 and 2010.

Supplemental School Construction Grants

- **Senate** - No action was taken.
- **House** - The House budget utilizes savings generated from the methodological change to support salaries and the substitute teacher per position amount to provide supplemental grants to divisions for school construction. Divisions will receive a prorated share of \$35.3 million in fiscal year 2009 and \$37.2 million in fiscal year 2010. These fixed grant amounts are subject to a local match requirement based on the composite index. The funds are provided for nonrecurring expenditures by the relevant school division. Nonrecurring costs shall include school construction, additions, infrastructure, site acquisition, renovations, technology, and other expenditures related to modernizing classroom equipment; payments to escrow accounts pursuant to Chapter 391 of the Acts of Assembly of 1999; school safety equipment or school safety renovations; and debt service payments on school projects completed during the last ten years.

School Breakfast Program

- **Senate** - No action was taken.
- **House** - The House budget reduces funding by \$1.0 million in each fiscal year by changing the base year from fiscal year 2004 to fiscal year 2006. Divisions are eligible for reimbursement of \$0.20 for each meal served above the base year count.

School Construction Grants

- **Senate** - *The Senate budget reduces funding for the School Construction Grants program by lowering the floor amount provided to each school division to \$50,000 (down from \$100,000), resulting in a state savings of \$13.7 million in each year of the biennium.*
- **House** - *No action was taken.*

4. Language-Only Amendments for Direct Aid Programs Not in HB/SB 30 as Introduced

Virginia Preschool Initiative

- **Senate** - *No action was taken.*
- **House** - *Inserts Virginia Preschool Initiative as one of the programs eligible for At-Risk Add-on funding.*

School Construction Grants - Defense Base Realignment and Closure Commission

- **Senate** - *No action was taken.*
- **House** - *Directs the use of School Construction Grants or Supplemental School Construction grants to be used first to address school facility needs generated in divisions experiencing an influx of military personnel (2,000 or more) related to the 2005 Defense Base Realignment and Closure Commission's Closure and Realignment Recommendations List (BRAC).*

Teacher Salary Survey

- **Senate** - *Directs that the annual Teacher Salary Survey also include information regarding starting salaries and average salaries by school.*
- **House** - *No action was taken.*

Educationally At-Risk Report

- **Senate** - *As part of the budget language governing the At-risk funding program, the Senate directs that school divisions*

provide a report detailing their comprehensive strategy for intervention, prevention and remediation.

- **House** - *No action was taken.*

B. DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

1. Changes to Central Office Budget Included in HB/SB 30

Virginia Preschool Initiative (VPI) Administration

- **Governor** - The Governor's introduced budget includes an additional \$340,100 in fiscal year 2009 and fiscal year 2010 for salaries, benefits, and support costs for three positions in the DOE Central Office. These positions would provide program monitoring and technical assistance, financial management, and evaluation of the VPI program.
- **Senate** - *No action was taken.*
- **House** - *The House budget removes new funding and three positions to administer the expanded VPI program, generating a state savings of \$340,100 in each year of the biennium.*

Transfer the Virginia Teaching Scholarship Loan program and National Board Certification to Direct Aid

- **Governor** - For the 2008-2010 biennium, funding for the Virginia Teacher Scholarship Loan Program and the National Board Certification Program has been transferred from the Department of Education, Central Office Operations budget, to Supplemental Education under Direct Aid to Public Education. This move will not have any programmatic impact and is intended to consolidate all state grant programs in the Direct Aid budget.
- **Senate** - *No action was taken.*
- **House** - *No action was taken.*

Expansion of Phonological Awareness Literacy Screening (PALS)

- **Governor** - The Governor's introduced budget includes additional funding for the Phonological Awareness Literacy Screening (PALS) diagnostic screening instruments and various program support services to local school divisions. The PALS

assessment assists in the identification of children who are at risk of early reading difficulties. An additional \$379,550 is provided in each year of the biennium.

- **Senate** - No action was taken.
- **House** - The House budget removes new funding for the expansion of the PALS program, generating a state savings of \$379,550 in each year of the biennium.

2. Changes to Central Office Budget Not Included in HB/SB 30

Eliminate Funding for the Partnership for Achieving Successful Schools (PASS)

- **Senate** - No action taken.
- **House** - The House budget eliminates funding for the Partnership for Achieving Successful Schools (PASS), generating a state savings of \$274,573 in each year of the biennium.

Standards of Learning Review

- **Senate** - No action was taken.
- **House** - Directs the Superintendent of Public Instruction to review the current Standards of Learning to determine whether they restrict students from pursuing career and technical education programs and/or industry certifications.

I-CAR Standards Review

- **Senate** - Directs the Department of Education to review the possibility of using Inter-Industry Conference on Auto Collision Repair (I-CAR) standards for vocational students in order to help meet workforce demands in the collision industry.
- **House** - No action was taken.