

Summary of Budget Amendments Adopted by the Senate and by the House of Delegates to the 2010-2012 Biennial Budget as Introduced (HB 1500/SB 800) Affecting the Direct Aid to Public Education and Department of Education Central Office Budgets

This document provides a summary of amendments to the 2010-2012 biennial budget (HB 1500/SB 800) that were separately adopted by the House of Delegates and by the Senate on February 10, 2011. The respective amendments proposed by the Senate and by the House of Delegates change the budget introduced by Governor McDonnell in HB 1500/SB 800. The adopted changes affect fiscal years 2011 and 2012. Fiscal year 2011 began on July 1, 2010, and ends on June 30, 2011. Fiscal year 2012 begins on July 1, 2011, and ends on June 30, 2012.

The budget actions proposed by Governor McDonnell in HB 1500/SB 800 were communicated in Attachment A of [Superintendent's Memorandum No. 315-10](#) dated December 17, 2010. The original text of that attachment is repeated in this document for reference purposes. The subsequent budget actions proposed 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 sections:

Section A: Amendments to the Direct Aid to Public Education Budget

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB 1500/SB 800 as Introduced
3. Direct Aid Budget Policy Changes Not Included in HB 1500/SB 800 as Introduced
4. Language-Only Amendments for Direct Aid Programs Included in HB 1500/SB 800 as Introduced
5. Language-Only Amendments for Direct Aid Programs Not Included in HB 1500/SB 800 as Introduced

Section B. Department of Education Central Office Budget

1. Amendments to Central Office Budget Included in HB 1500/SB 800 as Introduced Impacting School Divisions
2. Amendments to Central Office Budget Not Included in HB 1500/SB 800 as Introduced Impacting School Divisions

Section C. Office of the Secretary of Education Budget

1. Amendments to the Office of the Secretary of Education Included in HB 1500/SB 800 as Introduced Impacting School Divisions

A. DIRECT AID TO PUBLIC EDUCATION

1. Technical Updates to Existing Direct Aid Programs

Update Average Daily Membership (ADM) and Fall Membership

- **Governor** – The Governor’s introduced budget includes updated projections of unadjusted and adjusted average daily membership (ADM) for fiscal years 2011 and 2012 that are revised for each school division based on the latest actual ADM and fall membership data available. Projected ADM was originally forecast by the Department of Education based on actual data through September 30, 2009, fall membership. The most recent projections contained in the Governor’s introduced budget amendments have been revised based on actual March 31, 2010, ADM and September 30, 2010, fall membership.

On a statewide basis, the revised unadjusted ADM projections are 4,370 students lower in fiscal year 2011 and 6,659 students lower in fiscal year 2012 than the original projections contained in Chapter 874 (as communicated in Superintendent’s Memorandum No. 057-10, dated March 18, 2010). The ADM-based entitlements for fiscal years 2011 and 2012 have been recomputed based on these revised projections. In addition, all accounts that are allocated on the basis of fall membership have been updated for actual fall membership in fiscal year 2011 and re-projected fall membership in fiscal year 2012. The ADM and fall membership updates result in an estimated decrease in Direct Aid payments on a statewide basis of \$17.3 million in fiscal year 2011 and \$26.0 million in fiscal year 2012.

- *Senate – Same as Governor’s amended budget.*
- *House – Same as Governor’s amended budget.*

Update Sales Tax Projections

- **Governor** - The Governor’s amendments reflect the most recent estimate of sales tax revenue dedicated to public education for fiscal years 2011 and 2012, as computed by the Department of Taxation. The revised estimate of sales tax revenues includes both the one percent portion and the one-eighth percent portion that are appropriated for distribution to school divisions based on school-age population. The projected sales tax entitlements contained in Attachment B and in the Excel calculation file reflect the revised estimates for these two sales tax sources, which are shown in Attachment B and in the Excel file 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 \$1,123.1 million for fiscal year 2011 and \$1,162.3 million for fiscal year 2012.

These revised sales tax estimates are approximately \$44.3 million greater in fiscal year 2011 and \$47.6 million greater in fiscal year 2012 than the projections contained in Chapter 874. As required by the Basic Aid funding formula, state Basic Aid payments have been decreased to offset a portion of the increased sales tax revenues that are projected to be distributed to divisions. The amount of the Basic Aid offset is determined by each division's composite index of local ability-to-pay. The state share of Basic Aid decreases approximately \$24.8 million in fiscal year 2011 and \$26.6 million in fiscal year 2012 due to the revised sales tax estimates.

- *Senate* – Same as Governor's amended budget.
- *House* – Same as Governor's amended budget.

Update Lottery Proceeds Forecast

- **Governor** - The Governor's amended budget maintains the Lottery proceeds estimate of \$435.2 million in fiscal year 2011 but increases the estimate by \$675,000 to \$435.9 million in fiscal year 2012, compared to the projections contained in Chapter 874. Please see the paragraph labeled "Transfer a Portion of General Fund Programs to Lottery service area" below for further details on the accounts being partially funded by Lottery proceeds.
- *Senate* – Same as Governor's amended budget.
- *House* – Same as Governor's amended budget.

Technical Updates to Incentive, Categorical, and Lottery-funded accounts

- **Governor** – The Governor's amended budget includes various technical adjustments made to incentive, categorical, and Lottery-funded accounts to reflect the latest information on special education student counts, PALS assessment data, and actual and updated projected participation in programs. State funding is reduced by \$4.1 million in fiscal year 2011 and \$3.9 million in fiscal year 2012 based on these technical updates. Significant budget adjustments contained in this particular amendment are discussed in more detail in the following paragraphs.
 - *Incentive Technical Updates*
The Governor's amended budget includes technical updates to the Governor's School and VPSA Technology grants accounts. Funding for the Governor's School program is reduced by \$453,605 in fiscal year 2011 and \$50,716 in fiscal year 2012, based on actual enrollment in fiscal year 2011. VPSA Technology grants were updated for schools reporting fall membership for fiscal year 2011.
 - *Categorical Technical Updates*
The Governor's amended budget recognizes savings to categorical accounts of approximately \$3.6 million in fiscal year 2011 and \$3.8 million in fiscal year 2012 based on actual program participation. Funding for the Special Education

Homebound program is reduced by \$600,300 in fiscal year 2011 and \$626,600 in fiscal year 2012 based on the actual state share of local program costs in fiscal year 2011. Funding for the Special Education State Operated Programs account is reduced by \$3.0 million in fiscal year 2011 and \$3.2 million in fiscal year 2012 based on actual payments for fiscal year 2011. The American Indian Treaty Commitment account is reduced by \$13,657 in fiscal year 2011 and \$11,212 in fiscal year 2012 based on actual enrollment.

o *Lottery Technical Updates*

The Governor's amended budget includes technical updates based on actual participation and revised estimates to the following Lottery-funded accounts: Virginia Preschool Initiative, English as a Second Language, Special Education – Regional Tuition, Alternative Education, Supplemental Basic Aid, At-Risk, SOL Algebra Readiness, Textbooks, Remedial Summer School, K-3 Primary Class Size Reduction, Early Reading Intervention, School Breakfast, and Foster Care. These actions for fiscal years 2011 and 2012 result in savings in Lottery funding that is used to supplant general fund support for other programs. Please see the paragraph labeled “Transfer a Portion of General Fund Programs to Lottery service area” below for further details on the accounts being partially funded by Lottery proceeds.

In addition to the typical updates for actual participation in the Virginia Preschool Initiative (VPI), the Governor's amended budget also includes two other changes to the program. The projected non-participation rate for fiscal year 2012 has been increased to 23.08 percent from 21.70 percent. This adjustment affects the appropriation for the program but does not change the division-level entitlement amounts. Also, the VPI entitlements for Richmond City and Richmond County have been updated to reflect the corrected number of students served by the federal Head Start program in each locality. This change affects the VPI entitlement amounts for these two localities only.

- *Senate – Same as Governor's amended budget.*
- *House – Same as Governor's amended budget.*

Update Funding for National Board Certification Bonuses

- **Governor** - The Governor's amended budget updates funding for bonuses provided by the state to classroom teachers who are certified by the National Board of Professional Teaching Standards. This update is based on the actual number of teachers eligible to receive the bonus payments in fiscal year 2011, resulting in a decrease of \$292,500, from \$4,970,000 to \$4,677,500.
- *Senate – Same as Governor's amended budget.*
- *House – Same as Governor's amended budget.*

2. Direct Aid Budget Policy Changes Included in HB 1500/SB 800 as Introduced

Update Funded Instructional Virginia Retirement System (VRS) Rate for Fiscal Year 2012

- Governor** - The Governor’s amended budget does not change the employer contribution rate for instructional retirement benefits in fiscal year 2011, but does adopt a higher employer contribution rate of 7.16 percent for instructional retirement benefits in fiscal year 2012 compared to the rate of 5.16 percent included in Chapter 874, 2010 Acts of Assembly. This instructional rate is applied to positions in the VRS professional group for fiscal year 2012. The funded rates for the retiree health care credit, group life contribution, and Social Security remain unchanged from Chapter 874 for fiscal years 2011 and 2012. This rate change increases state funding by approximately \$53.2 million in fiscal year 2012. Please note that the proposed rate change would also impact school division employer contributions paid to VRS in fiscal year 2012. Additional information regarding the benefit rates included in the Governor’s amended budget is provided in the table below.

| FRINGE BENEFIT RATES: | HB 1500/SB 800 As Introduced | |
|--|------------------------------|---------------|
| | FY 2011 | FY 2012 |
| Instructional / Professional Support VRS Retirement (Employer Share) (Does not include RHCC - see below) | 3.93% | 7.16% |
| Instructional / Professional Support VRS Retirement (Employee Share) | 5.00% | 5.00% |
| Instructional/Professional Support VRS Retirement Rate | 8.93% | 12.16% |
| Group Life (Employer Share) | 0.28% | 0.28% |
| Group Life (Employee Share) | 0.00% | 0.00% |
| Total Group Life Rate | 0.28% | 0.28% |
| Retiree Health Care Credit (Paid as part of the VRS per pupil amount) | 0.60% | 0.60% |
| Non-Professional Support VRS Retirement ¹ | 7.53% | 7.53% |
| Social Security | 7.65% | 7.65% |
| Health Care Premium | \$3,375 | \$3,375 |
| Total Instructional/Professional Support Benefits Percent (Employer Share) | 12.46% | 15.69% |
| Total Non-professional Support Benefits Percent (Employer Share) | 15.46% | 15.46% |
| <p>¹This statewide prevailing rate is calculated by the Department of Education on a biennial basis during the SOQ rebenchmarking process to serve as the state funded rate for non-professional support positions in the SOQ funding formula. It is based on a linear weighted average of the base year non-professional rates charged to each school division by VRS. Please note that the non-professional VRS rate charged to divisions by VRS differs each year for each division and is not based on the state funded rate.</p> | | |

The Governor’s amended budget includes language allowing localities the option of charging employees the 5.0 percent employee share of VRS. Please see the paragraph labeled “Employee Share of VRS” below for further details on the proposed amendment.

- Senate** – The Senate does not propose a change to the employer contribution rate for instructional retirement benefits for fiscal year 2011, but decreases this rate to 6.33 percent for fiscal year 2012, down from the 7.16 percent rate that was included in the Governor’s introduced budget for fiscal year 2012. This proposed instructional retirement contribution rate generates an estimated state savings of \$22.3 million from the Governor’s introduced budget in fiscal year 2012. The funded rates for the retiree health care credit, group life contribution, and Social Security remain unchanged from Chapter 874 for fiscal years 2011 and 2012. Please note that the proposed rate change would also impact school division employer contributions paid to the Virginia Retirement System (VRS) in fiscal year 2012. Additional information regarding the benefit rates included in the Senate’s amended budget is provided in the table below.

| FRINGE BENEFIT RATES: | Proposed Senate Budget | |
|--|------------------------|---------------|
| | FY 2011 | FY 2012 |
| Instructional / Professional Support VRS Retirement (Employer Share) (Does not include RHCC - see below) | 3.93% | 6.33% |
| Instructional / Professional Support VRS Retirement (Employee Share) | 5.00% | 5.00% |
| Instructional/Professional Support VRS Retirement Rate | 8.93% | 11.33% |
| Group Life (Employer Share) | 0.28% | 0.28% |
| Group Life (Employee Share) | 0.00% | 0.00% |
| Total Group Life Rate | 0.28% | 0.28% |
| Retiree Health Care Credit (Paid as part of the VRS per pupil amount) | 0.60% | 0.60% |
| Non-Professional Support VRS Retirement ¹ | 7.53% | 7.53% |
| Social Security | 7.65% | 7.65% |
| Health Care Premium | \$3,375 | \$3,375 |
| Total Instructional/Professional Support Benefits Percent (Employer Share) | 12.46% | 14.86% |
| Total Non-professional Support Benefits Percent (Employee Share) | 15.46% | 15.46% |
| <p>¹This statewide prevailing rate is calculated by the Department of Education on a biennial basis during the SOQ rebenchmarking process to serve as the state funded rate for non-professional support positions in the SOQ funding formula. It is based on a linear weighted average of the base year non-professional rates charged to each school division by VRS. Please note that the non-professional VRS rate charged to divisions by VRS differs each year for each division and is not based on the state funded rate.</p> | | |

In addition, the Senate’s proposed budget removes the Governor’s language allowing localities the option of charging employees the 5.0 percent employee share of VRS. Please see the section below titled “Employee Share of VRS” for more information on this amendment.

- House** – The House’s proposed budget does not change the contribution rates for fiscal year 2011 from the Governor’s budget. In fiscal year 2012, the House proposes to reduce the employer contribution rate for instructional retirement benefits to 5.16 percent (the current Chapter 874 funded rate) from the 7.16 percent rate proposed in the Governor’s budget. The

funded rates for the retiree health care credit, group life contribution, and Social Security remain unchanged from Chapter 874 for fiscal years 2011 and 2012. This rate change decreases state funding to be distributed to school divisions by approximately \$55.4 million in fiscal year 2012 based on the final budget adopted by the House. Please note that the proposed rate change would also impact school division employer contributions paid to the Virginia Retirement System (VRS) in fiscal year 2012. Additional information regarding the benefit rates included in the House’s amended budget is provided in the table below.

The House’s proposed budget also includes a transfer of \$89.8 million in fiscal year 2012 from the Department of Education to VRS, which represents the state’s share of cost of a 3.3 percent instructional VRS rate for all SOQ funded positions. This payment would be made by the Department of Education directly to VRS; not to school divisions. The payment would be contributed toward the VRS unfunded liability amount for the teacher pool. To help fund the transfer to VRS, the House proposes reducing the elementary resource positions from five positions per 1,000 students in grades kindergarten through seven to five positions per 1,000 students in grades kindergarten through five, resulting in an estimated state share of savings of approximately \$34.4 million for fiscal year 2012. Please see the section titled “Reduce Elementary Resource Positions from Grades Kindergarten - Seven to Grades Kindergarten - Five” below for more information. Budget language was also included encouraging school divisions to set aside a local matching amount up to an equivalent percentage value of the 3.3 percent professional rate for future budget payments to VRS.

| FRINGE BENEFIT RATES: | Proposed House Budget | |
|---|-----------------------|---------------|
| | FY 2011 | FY 2012 |
| Instructional / Professional Support VRS Retirement (Employer Share) (Does not include RHCC - see below) | 3.93% | 5.16% |
| Instructional / Professional Support VRS Retirement (Employee Share) | 5.00% | 5.00% |
| Instructional/Professional Support VRS Retirement Rate | 8.93% | 10.16% |
| Group Life (Employer Share) | 0.28% | 0.28% |
| Group Life (Employee Share) | 0.00% | 0.00% |
| Total Group Life Rate | 0.28% | 0.28% |
| Retiree Health Care Credit (Paid as part of the VRS per pupil amount) | 0.60% | 0.60% |
| Non-Professional Support VRS Retirement ¹ | 7.53% | 7.53% |
| Social Security | 7.65% | 7.65% |
| Health Care Premium | \$3,375 | \$3,375 |
| Total Instructional/Professional Support Benefits Percent (Employer Share) | 12.46% | 13.69% |
| Total Non-professional Support Benefits Percent (Employer Share) | 15.46% | 15.46% |

¹This statewide prevailing rate is calculated by the Department of Education on a biennial basis during the SOQ rebenchmarking process to serve as the state funded rate for non-professional support positions in the SOQ funding formula. It is based on a linear weighted average of the base year non-professional rates charged to each school division by VRS. Please note that the non-professional VRS rate charged to divisions by VRS differs each year for each division and is not based on the state funded rate.

In addition, the House accepts the Governor's amendment to the VRS rate structure with regard to the employee share of VRS; however, the House proposes that local employers electing to require employees to pay the five percent employee share of VRS must provide a matching five percent increase in salary. Please see the section below titled "Employee Share of VRS" for more information on this amendment.

Correct the October 1, 2008, Free Lunch Percentage for Petersburg City

- **Governor** - The Governor's amended budget includes changes to several accounts for Petersburg City resulting from a correction to the free lunch data for Petersburg High School. The original free lunch data was used by the Department of Education in the original 2010-2012 rebenchmarking calculations. Based on the corrected free lunch percentage, funding for Petersburg City (both general fund and Lottery) increases by \$357,234 in fiscal year 2011, and \$535,195 in fiscal year 2012.
- **Senate** – Same as Governor's amended budget.
- **House** – Same as Governor's amended budget.

Increase Literary Fund Transfer for Teacher Retirement

- **Governor** - The Governor's amended budget decreases the transfer from the Literary Fund to support the state share of cost for teacher retirement by \$2.0 million in fiscal year 2011, from \$141.6 million to \$139.6 million. In fiscal year 2012, the Literary Fund transfer amount increases by \$2.0 million, from \$128.1 million to \$130.1 million. The reduced transfer amount in fiscal year 2011 will be supplanted by a corresponding state general fund increase of \$2.0 million in fiscal year 2011. In fiscal year 2012, the increased transfer amount will result in a general fund savings of \$2.0 million. These changes do not affect division per pupil amounts or projected entitlements for VRS retirement in fiscal year 2011 or fiscal year 2012.
- **Senate** – Same as Governor's amended budget.
- **House** – Same as Governor's amended budget.

Update the Cost of the Composite Index Hold Harmless Payments in Fiscal Year 2011 and Eliminate the Payments in Fiscal Year 2012

- **Governor** - The Governor's amended budget updates the cost of the composite index hold harmless payments for fiscal year 2011. Chapter 874 included hold harmless payments to reduce the impact of the recalculated composite indices for school divisions for both fiscal years 2011 and 2012. The cost of these payments was based on the Governor's introduced 2010-2012 budget for the 2010 General Assembly Session. The payments were not adjusted to reflect the final actions of the 2010-2012 budget that was ultimately approved (i.e., Chapter 874). The recalculation of the cost of the payments for fiscal year 2011 is based on

the actions contained in Chapter 874 as well as the Governor's proposed amendments for the 2010-2012 budget in HB 1500/SB 800 as introduced. As a result, the total state funding for these payments has been reduced by \$8.4 million in fiscal year 2011.

In addition, the Governor's amended budget eliminates the composite index hold harmless payments in fiscal year 2012. The elimination of the fiscal year 2012 hold harmless payments reduces state funding by \$57.6 million in fiscal year 2012.

- *Senate – Accepts the Governor's action to update the cost of the fiscal year 2011 Composite Index Hold Harmless payment. The proposed Senate budget also restores \$16.6 million of the fiscal year 2012 Composite Index Hold Harmless payments for affected school divisions. The fiscal year 2012 payments were updated based on the actions contained in Chapter 874, the Governor's proposed amendments for the 2010-2012 budget in HB 1500/SB 800 as introduced, and were further adjusted by the value of the additional funds provided to school divisions in the Support for School Construction and Operating Costs account discussed later in this attachment. The combined funding provided by the Support for School Construction and Operating Costs account and the reduced Composite Index Hold Harmless payments are to restore a hold harmless payment in fiscal year 2012 for affected divisions, but on recalculated base using the proposed Senate budget base.*

The Senate proposes to split-fund the fiscal year Composite Index Hold Harmless payment with approximately \$14.6 million from general funds and \$2.0 million with Lottery proceeds. To help fund the Lottery portion of Composite Index Hold Harmless payments in fiscal year 2012, this amendment increases the projected non-participation rate for the Virginia Preschool Initiative program to 25.37% in fiscal year 2012, resulting in a savings of \$2.0 million in the Lottery service area. For additional information on the Support for School Construction and Operating Costs account, please see the section entitled "Restore the Support for School Construction and Operating Costs Account in the Lottery Service Area" below.

- *House – Same as Governor's amended budget.*

Establish Performance Pay Incentives Pilot Program for Instructional Personnel

- **Governor** - The Governor's amended budget includes \$3.0 million in fiscal year 2012 to provide competitive grants to school divisions to pilot models for awarding performance pay for instructional personnel in hard-to-staff schools as determined by the Department of Education. School divisions interested in submitting proposals for competitive grants must outline clearly-defined performance objectives. A significant component of the performance evaluation must include measureable and appropriate achievement goals for student progress, including the state-provided growth measure when available. School division grant proposals are due to the Department of Education no later than June 15, 2011.
- *Senate – Reduces the funding for the performance pay incentives pilot program for instructional personnel by \$2.0 million in fiscal year 2012.*

- *House – Same as Governor’s amended budget.*

Decrease State Fiscal Stabilization Fund Support for Basic Aid Payments

- **Governor** - The Governor’s amended budget adjusts the funding split for the state share of Basic Aid between the state general fund and the federal State Fiscal Stabilization Fund (SFSF) made available under the American Recovery and Reinvestment Act of 2009 (ARRA). The original fiscal year 2011 amount of Phase II SFSF funds allocated for this purpose by the 2010 General Assembly was \$126,372,427. However, based on the state’s final Phase II application, incorporating all actions of Chapter 874, 2010 Acts of Assembly, the fiscal year 2011 portion of the SFSF allocated to K-12 education has been reduced by \$3,431,113 to \$122,941,314. Governor McDonnell’s proposed amendments to the current 2010-2012 biennial budget include an amendment to increase the state’s general fund support for Basic Aid by the same \$3,431,113 to fund the portion of Basic Aid no longer supported from Phase II SFSF funding. [Superintendent’s Memorandum number 314-10](#) dated December 17, 2010, provides additional information on the final 33 percent (Phase II) of funding from the SFSF authorized under ARRA, including information regarding reimbursement of qualifying expenditures.

The revised SFSF Phase II awards will continue to be allocated based upon each school division’s proportion of the state’s share of Basic Aid. The final allocations of Phase II SFSF for each school division are shown in the Excel entitlement calculation file in the “Federal Funds for Basic Aid” tab of the worksheet (see Attachment C of this memorandum for instructions on accessing the Excel entitlement calculation file).

Since Phase II SFSF allocations had not yet been awarded, fiscal year 2011 state Basic Aid payments made from July 16, 2010, to December 30, 2010, were not adjusted for the state’s share of Basic Aid funded from Phase II of SFSF. Now that the final allocations from Phase II of SFSF have been awarded and are available for reimbursement for qualifying expenditures by school divisions, semi-monthly Basic Aid payments to each division will be updated based on the original Phase II SFSF allocation of \$126,372,427 as funded in Chapter 874, as well as the latest projections of average daily membership (ADM) and the Basic Aid per pupil amounts proposed in the Governor’s amended fiscal year 2011 budget, beginning with the January 14, 2011, payment.

Incorporating the Chapter 874 Phase II SFSF allocations into each division’s Basic Aid entitlement amount will reduce the semi-monthly Basic Aid payments based on each division’s pro rata share of Phase II SFSF funding. The additional \$3,431,113 in state general funds included in Governor McDonnell’s proposed amendments to the current 2010-2012 budget to fund the state’s share of Basic Aid no longer supported from Phase II SFSF funding will not be included in the semi-monthly Basic Aid payments to each division until this funding is approved by the 2011 General Assembly and the amended 2010-2012 appropriation act is signed into law by the Governor. If the additional state general fund support for Basic Aid is approved, the additional funding for the state’s share of Basic Aid would be included in the final semi-monthly payments beginning on May 31, 2011.

- *Senate – Same as Governor’s amended budget.*

- *House – Same as Governor’s amended budget.*

Transfer a Portion of General Fund Programs to Lottery Service Area

- **Governor** - The Governor’s amended budget proposes using Lottery proceeds to fund a portion of costs for accounts that were previously funded by the general fund. In fiscal year 2011, approximately \$19.8 million of the Composite Index Hold Harmless payment will be funded by Lottery proceeds. In fiscal year 2012, approximately \$13.2 million of Textbooks payments will be funded by Lottery proceeds in addition to the \$12.9 million already supported by the Lottery in Chapter 874. These changes modify the source of funds used to support the programs but do not alter the funding methodologies for either account. The remaining costs for each of these accounts will continue to be funded by the general fund so the entitlement amounts for each school division do not change as a result of these actions. The state recognizes a corresponding general fund savings each year equal to the transfer amounts above.
- **Senate** – *Same as Governor’s amended budget for fiscal year 2011. In fiscal year 2012, the Senate proposes to fully fund Textbooks payments from the general fund resulting in a state savings of \$26.0 million in the Lottery service area. These savings are used to fund a portion of the Support for School Construction and Operating Costs account in the Lottery service area. Please see the section below entitled “Textbook Funding” for further details on Textbooks payments in the Senate’s proposed budget.*
- **House** – *Same as Governor’s amended budget for fiscal year 2011. In fiscal year 2012, the House proposes to eliminate the Lottery funded portion of Textbooks resulting in an estimated state savings of \$29.2 million. Additionally, the House proposes split funding the SOQ Prevention, Intervention, and Remediation account in fiscal year 2012, moving approximately \$40.4 million of SOQ Prevention, Intervention, and Remediation funding from the general fund to the Lottery service area. Please see the section titled “Create Support for Personnel and Operational Costs Account” below for additional information.*

3. Direct Aid Budget Policy Changes Not Included in HB 1500/SB 800 as Introduced

Restore the Support for School Construction and Operating Costs Account in the Lottery Service Area

- **Senate** – *Provides \$87.7 million in fiscal year 2012 to restore the Support for School Construction and Operating Costs account in the Lottery service area. This account provides the state share of a per-pupil amount of \$129.81 from the Lottery Proceeds Fund. These funds may be used for any educational purpose. Localities must match these funds based on the composite index of local ability-to-pay.*

To restore this Lottery funded account in fiscal year 2012, the Senate proposes to transfer funding for the Remedial Summer School program, the English-as-a-Second-Language

program, and the Lottery-funded portion of Textbooks payments from the Lottery Proceeds Fund to the general fund.

- **House** – No action taken.

Textbook Funding

- **Senate** – Provides additional funding of \$26.0 million to fully restore general fund support for Textbooks payments to school divisions. The Senate's amended budget also includes an additional \$18.4 million in fiscal year 2012 to increase the state share of textbooks funding from \$48.38 to \$75.55 per pupil.
- **House** – Proposes eliminating the Lottery funded portion of Textbooks in fiscal year 2012. The estimated state savings from eliminating Lottery funds for Textbooks is approximately \$29.2 million based on the final budget adopted by the House in fiscal year 2012. In a separate action, the House proposes increasing the general fund per pupil amount for Textbooks from \$10.00 to \$23.45 per pupil for fiscal year 2012. The estimated state share of cost to increase the general fund Textbook per pupil amount is approximately \$12.4 million in fiscal year 2012. Please see the section below titled "Create Support for Personnel and Operational Costs" for more information on this amendment.

Expand Virtual Virginia

- **Senate** – Provides an additional \$1.5 million in fiscal year 2012 to increase advanced placement and foreign language course sections and to develop additional course offerings through the Virtual Virginia program.
- **House** – No action taken.

Regional Cooperative Purchasing

- **Senate** – Provides additional funding to implement several recommendations from the Joint Legislative Audit and Review Commission's December 2010, report, entitled Use of Cooperative Procurement in Virginia School Divisions. The Senate's amended budget provides a total of \$500,000 in fiscal year 2012 to promote regional cooperative purchasing among school divisions. Of this amount, \$400,000 is used to provide grants to groups of school divisions that submit proposals for regional cooperative purchasing. The remaining \$100,000 will be used for either the Department of Education or the Department of Human Resource Management to perform an actuarial analysis of the impact of a statewide program of health insurance for school division employees. The Senate's amended budget also directs the Department of Education to collect data certifying that local divisions have considered cooperative procurement options.
- **House** – No action taken.

Reduce Elementary Resource Positions from Grades Kindergarten - Seven to Grades Kindergarten - Five

- *Senate – No action taken.*
- *House – Proposes reducing the SOQ funded elementary resource positions from five per 1,000 students in grades kindergarten through seven to five per 1,000 students in grades kindergarten through five for fiscal year 2012. This action reduces state funding by \$34.4 million in fiscal year 2012.*

Create Support for Personnel and Operational Costs Account

- *Senate – No action taken.*
- *House – Proposes creating a new account titled Support for Personnel and Operational Costs in the General Fund service area in fiscal year 2012. This amendment provides funding of \$65.7 million in fiscal year 2012 for the new account. This payment to school divisions is equivalent to the state's share of the cost of a two percent bonus for all SOQ funded positions.*

School divisions may use these payments for a two percent bonus for all eligible personnel, to purchase textbooks, to purchase school buses, or for any other one-time education purpose, but cannot use these funds toward any recurring non-personnel expenditure. Localities must match these funds based on the composite index of local ability-to-pay. The House budget includes language encouraging divisions to consider using their Education Jobs Fund grant toward enhancing the bonus or toward the local match.

To fund the Support for Personnel and Operational Costs account the House proposes the following actions:

- *Eliminate school bus replacement costs funded as part of Basic Aid in fiscal year 2012, reducing state funding by \$37.7 million;*
- *Decrease the Virginia Preschool Initiative (VPI) per pupil amount for full-day preschool from \$6,000 to \$5,000, and from \$3,000 to \$2,500 for half-day preschool in fiscal year 2012, reducing state funding by \$11.2 million;*
- *Split-fund the SOQ Prevention, Intervention, and Remediation account between the general fund and the Lottery Proceeds Fund, moving approximately \$40.4 million of this account from the general fund to Lottery in fiscal year 2012;*
- *Eliminate the Lottery funded portion of Textbooks resulting in an estimated state savings of approximately \$29.2 million in fiscal year 2012; and*
- *Increase the general fund per pupil amount for Textbooks from \$10.00 to \$23.45 for fiscal year 2012 resulting in an estimated state share of cost of approximately \$12.4 million.*

Eliminate School Bus Replacement Cost

- *Senate – No action taken.*
- *House – The House’s amended budget proposes eliminating funding for school bus replacement costs funded as part of Basic Aid in fiscal year 2012. Chapter 874 included funding in Basic Aid for a 15 year school bus replacement cycle in the SOQ pupil transportation support costs calculation. The estimated state savings from eliminating school bus replacement is approximately \$37.7 million in fiscal year 2012.*

Reduce Virginia Preschool Initiative Per Pupil Amounts

- *Senate – No action taken.*
- *House – The House’s amended budget proposes decreasing the Virginia Preschool Initiative (VPI) per pupil amount for full-day preschool from \$6,000 to \$5,000, and from \$3,000 to \$2,500 for half-day preschool in fiscal year 2012. The estimated state savings from reducing the VPI per pupil amount is approximately \$11.2 million in fiscal year 2012.*

Eliminate Funding for Project Discovery

- *Senate – No action taken.*
- *House – Proposes eliminating funding for Project Discovery in fiscal year 2012, reducing state funding by \$688,500.*

Increase Enrollment Funding Cap for Governor’s School

- *Senate – No action taken.*
- *House – Proposes increasing the enrollment cap for academic-year Governor’s Schools by 50 students in fiscal year 2012. Currently, the only Governor’s School that exceeds the enrollment cap is Thomas Jefferson Governor’s School. This amendment increases the enrollment funding cap from 1,600 students to 1,650 students, thereby increasing state funding by \$66,265.*

4. Language-Only Amendments for Direct Aid Programs Included in HB 1500/SB 800 as Introduced

Employee Share of VRS

- **Governor** - The Governor’s amended budget includes language allowing localities the option of charging employees the five percent employee share of VRS. The following language was included in the Central Appropriations section of the Governor’s amended budget:

~~“P.1. The election of a Virginia Retirement System employer to pay, for any employee who was a Virginia Retirement System member on or before June 30, 2010, an equivalent amount in lieu of all member contributions under the provisions of § 51.1-144F is irrevocable. The provisions of this paragraph are declaratory of existing public policy and law. Each county, city, town, local public school board, or other local employer who has elected to pay an equivalent amount in lieu of the member contributions required of an employee who is not a person who becomes a member on or after July 1, 2010, may require such employee to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of the employee’s creditable compensation, effective July 1, 2011, provided that the employer shall at the same time increase the base salary of such employee by at least three percent.~~

2. The election available to a county, city, town, local public school board or other local employer, under Subdivision 2 of § 51.1-144F, to pay an equivalent amount in lieu of the member contributions required of its employees shall not apply to any employee, who is a person who became a member on or after July 1, 2010, hired by a county, city, town, local public school board, or other local employer on or after July 1, 2011.”

- **Senate** – Proposes to eliminate the changes to the VRS system proposed in the Governor’s amended budget. The Senate removes the language allowing localities the option of charging employees the five percent employee share of VRS.
- **House** – Proposes keeping the Governor’s amendment above, but requires any school division that charges its employees the five percent employee share of VRS to also provide for a five percent increase in the employee base salary. The House’s budget also proposes adding the following language:

“3. Each county, city, town, local public school board, or other local employer who has elected to pay an equivalent amount in lieu of all or a portion of member contributions required of an employee who is a person who becomes a member on or after July 1, 2010, shall continue to have the option pursuant to § 51.1-144.F.2, Code of Virginia, regarding employees becoming members of the retirement system between July 1, 2010, and June 30, 2011.

4. The increase in base salary described in paragraph 1 of this section shall not be required of any county, city, town, local public school board, or other local employer who already requires an employee to pay the full member contribution on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code.”

The proposed House budget would allow school boards and localities to have the option to set employee contributions requirements for those hired between July 1, 2010, and June 30, 2011, but requires new employees, hired on or after July 1, 2011, to pay the five percent employee rate contribution with no option for the school division to pay any portion of the five percent employee’s contribution.

The House budget also allows school divisions to reinstitute the five percent employee contribution, for those hired prior to July 1, 2010, only if the employees' base salary is offset by at least a five percent increase.

Clarify Process for Addressing a Shortfall in the Lottery Proceeds Fund

- **Governor** - The Governor's amended budget provides the Department of Education with authority to adjust textbook payments supported by the Lottery Proceeds Fund in the event of a Lottery revenue shortfall. The Department of Education is authorized each year to temporarily suspend textbook payments made to school divisions from Lottery funds in the event of a shortfall in Lottery revenue to ensure that the shortfall can be absorbed in the remaining textbook payments to be made during each fiscal year. In the event that actual Lottery revenues do not meet the projection of Lottery revenues in any fiscal year, the Textbook account would be prorated down equivalent to the amount of the revenue shortfall in that fiscal year. Each school division's textbook funding would be prorated in proportion to their share of the total state share of textbook funding.
- **Senate** – *The Senate budget authorizes the Department of Education to address any revenue shortfalls in the Lottery Proceeds Fund by prorating the Support for School Construction and Operating Costs account down equivalent to the amount of the revenue shortfall.*
- **House** – *Includes language providing the Department of Education with authority to prorate At-Risk payments supported by the Lottery Proceeds Fund down equivalent to the amount of the revenue shortfall.*

Clarify the use of Virginia Preschool Initiative Funds

- **Governor** - The Governor's amended budget includes additional language to clarify that the state and local matching funds used to support the Virginia Preschool Initiative program may not be used for capital outlay.
- **Senate** – *Same as Governor's amended budget.*
- **House** – *Same as Governor's amended budget.*

Clarify Carry Forward Authority for Fiscal Year 2011 State Funds

- **Governor** - The Governor's amended budget includes additional language to clarify that localities electing to carry forward qualifying state funds from fiscal year 2011 to fiscal year 2012 must appropriate the funds to the school division for expenditure in fiscal year 2012. Any locality that has met its required local effort for the Standards of Quality accounts for fiscal year 2011 and has met its required local match for incentive or Lottery-funded programs in which the locality elected to participate in fiscal year 2011, may carry over into fiscal year 2012 any remaining state Direct Aid to Public Education fund balances available to help minimize any fiscal year 2012 revenue adjustments that may occur in state funding to

that locality. The proposed new language clarifies that the fiscal year 2011 state funds carried forward must be appropriated to the school division in fiscal year 2012.

- *Senate* – Same as Governor’s amended budget.
- *House* – Same as Governor’s amended budget.

5. Language-Only Amendments for Direct Aid Programs Not Included in HB 1500/SB 800 as Introduced

Virtual Education

- *Senate* – Proposes language directing the Joint Subcommittee on Elementary and Secondary Education Funding to study online and blended learning issues and options for funding virtual education programs in Virginia. The Subcommittee will review state and local per pupil shares for full-time online programs of study, and methods to properly handle any proceeds generated from the sale of online educational resources developed by the Department of Education. The results of the study will be reported to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2011.
- *House* – No action taken.

Virtual Public School Program Enrollment

- *Senate* – Proposes to freeze the state-funded enrollment in the current virtual public school program operated by Carroll County at the January 2011 enrollment level, or a total of 350 students. For other full-time virtual public school programs, the fiscal year 2012 state share of per pupil funding will be based on the enrolling student’s actual locality of residence.
- *House* – No action taken.

Language to Allow Virginia Preschool Initiative Funds to Be Used for Full-day Kindergarten

- *Senate* – No action taken.
- *House* – The House proposes language to allow school divisions to use eligible fiscal year 2012 Virginia Preschool Initiative funds toward reducing the number of half-day kindergarten classes. The following language is included in the House’s amended budget:

“f. Furthermore, a locality may make a one-time election to reprogram any portion of its eligible fiscal year 2012 Virginia Preschool Initiative funds toward reducing the number of existing half-day kindergarten classes, as of September 30, 2010, and converting the targeted half-day kindergarten classes to full-day kindergarten classes during the 2011-2012 school year.

A school division's eligible fiscal year 2012 Virginia Preschool Initiative funds which may be reprogrammed toward providing full-day kindergarten classes shall be determined by the Department of Education and shall be limited to a school division's fiscal year 2011 Virginia Preschool Initiative final payment amount as provided for in House Bill 1500/Senate Bill 800 as introduced in the 2011 General Assembly Session.

In order to receive these funds for this purpose, school divisions must certify to the Department of Education no later than October 1, 2011, that the reprogrammed funds will be used specifically for the express purpose of expanding the number of full-day kindergarten classes and reducing the number of half-day kindergarten classes. These funds may not be used for any other school purpose. If a school division elects to reprogram any portion of the Virginia Preschool Initiative funds toward expanding the number of full-day and reducing half-day kindergarten classes, then the school division's total fiscal year 2012 Virginia Preschool Initiative funding shall be limited to the total fiscal year 2011 Virginia Preschool Initiative funding amount. Localities receiving these payments are required to match these funds based on the composite index of local ability-to-pay.”

SECTION B: DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

1. Amendments to Central Office Included in HB 1500/SB 800 as Introduced Impacting School Divisions

Eliminate Grants to Regional Superintendents Groups

- **Governor** - The Governor's amended budget eliminates funding to support costs for monthly meeting expenses of the eight regional local superintendent planning groups across the state, resulting in a savings of \$8,000 in fiscal year 2012.
- **Senate** – Same as Governor's amended budget.
- **House** – Same as Governor's amended budget.

Eliminate Funding for Virginia Preschool Initiative On-Site Reviews

- **Governor** - The Governor's amended budget eliminates funding for periodic on-site reviews of local Virginia Preschool Initiative programs in fiscal year 2012. Instead, these assessments will be handled by desk reviews, resulting in a savings of \$20,000 in fiscal year 2012.
- **Senate** – Same as Governor's amended budget.
- **House** – Same as Governor's amended budget.

Increase Support for Career Pathways Program

- **Governor** - The Governor's amended budget provides an additional \$100,000 in fiscal year 2012 for the Career Pathways program, which helps students become aware of the availability of vocational and technical educational programs and encourages them to consider skills based training to help meet the needs of employers in their respective communities or regions of the state.
- *Senate* – Same as Governor's amended budget.
- *House* – Same as Governor's amended budget.

2. Amendments to Central Office Not Included in HB 1500/SB 800 as Introduced Impacting School Divisions

Proceeds From the Sale of Educational Resources Developed by the Department of Education

- *Senate* – No action taken.
- *House* – Proposes language to authorize the Department of Education to collect proceeds from the sale of educational resources it has developed to out-of-state individuals or entities, and in-state, for-profit entities. This includes technology applications, online course content, assessments, and other education content. Proceeds from the sale of these educational resources shall be used to develop new educational resources for the benefit of the Commonwealth's public schools.

Increase the Actual Cost of Local School Efficiency Reviews

- *Senate* – No action taken.
- *House* – Proposes language to increase the local charge for a school efficiency review from 25 to 50 percent of the actual cost of the review.

SECTION C. OFFICE OF THE SECRETARY OF EDUCATION BUDGET

1. Amendments to the Office of the Secretary of Education Included in HB1500/SB 800 as Introduced Impacting School Divisions

Provide Incentive Grants for College Partnership Laboratory Schools

- **Governor** - The Governor's amended budget includes \$600,000 in fiscal year 2012 for establishing or supporting college partnership laboratory schools in the Commonwealth of Virginia.

- *Senate* – Reduces funding for establishing or supporting college partnership laboratory schools in the Commonwealth of Virginia by \$300,000 in fiscal year 2012.
- *House* – Same as Governor’s amended budget.

Decrease Funding for Public Broadcasting

- **Governor** - The Governor’s amended budget includes a 50 percent reduction in fiscal year 2012 to Community Access to Educational, Economic, and Cultural Programming Through Public Television, resulting in a state savings of \$722,096. The Governor’s amended budget also includes a 50 percent reduction in fiscal year 2012 to Community Access to Educational, Economic, and Cultural Programming Through Public Radio, resulting in a state savings of \$235,775.
- *Senate* – Restores \$730,000 of the funding for Community Access to Educational, Economic, and Cultural Programming Through Public Television for instructional telecommunications in fiscal year 2012. The Senate also restores and increases the funding for educational telecommunication services provided by public television stations through regional schools contracting and planning committees by \$1.9 million for fiscal year 2012.
- *House* – Same as Governor’s amended budget.