

Summary of Budget Amendments Proposed by the Senate Finance Committee and by the House of Delegates to Change the Fiscal Year 2012 Direct Aid to Public Education Budget as Introduced in SB/HB 29 (“Caboose Bill”)

This document provides a summary of amendments to the fiscal year 2012 introduced budget (SB/HB 29), also known as the “Caboose Bill,” that were separately adopted by the Senate Finance Committee on February 19, 2012, and the House of Delegates on February 23, 2012. These budget actions amend the budget proposed by Governor McDonnell in SB/HB 29, which was communicated in Attachment A of [Superintendent’s Memorandum No. 331-11](#) dated December 19, 2011. The original text of that attachment is repeated in this document for reference purposes. The actions proposed by executive amendment, by the House of Delegates, and by the SFC are summarized in this document and are reflected in italicized text. Information related to the Direct Aid to Public Education budget amendments are organized into the following sections:

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB/SB 29
3. Direct Aid Budget Policy Changes Not Included in HB/SB 29

The full Senate did not adopt amendments to the committee-approved caboose budget that was before it yesterday, SB 29. Since SB 29 did not pass the full Senate, the Senate amendments described in this memorandum and attachments reflect those adopted by the Senate Finance Committee on February 19th. The Senate’s next actions on the budget are expected to be next week on the HB 29 budget adopted by the full House. The Department will provide you with updated information as it becomes available. **Note: for purposes of this Attachment, the Senate Finance Committee will be designated as “SFC” throughout.**

AMENDMENTS TO THE DIRECT AID TO PUBLIC EDUCATION BUDGET

1. Technical Updates to Existing Direct Aid Programs

Update Average Daily Membership (ADM) and Fall Membership

- **Governor** – Projections of unadjusted and adjusted average daily membership (ADM) for fiscal year 2012 are revised for each division based on the latest actual ADM and fall membership data available. On a statewide basis, these revised projections result in a decrease in unadjusted ADM of 1,202 students from the projections on which fiscal year 2012 estimated payments are currently based in Chapter 890 (as communicated in Superintendent’s Memorandum Number 068-11, dated March 4, 2011). The ADM and fall membership updates result in an estimated decrease on a statewide basis in Direct Aid state

payments of \$5.0 million in fiscal year 2012. Projected ADM for fiscal year 2012 was originally projected by the Department of Education based on actual data through September 30, 2010, fall membership. The most recent projections contained in the Governor's amended budget have been revised based on actual March 31, 2011, ADM and September 30, 2011, fall membership. The ADM-based estimated payments for fiscal year 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 2012.

- *SFC - 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 year 2012, 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 based on school-age population. The projected sales tax entitlement contained in Attachment B and in the Excel calculation file reflects 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 \$1,167,000,000 for fiscal year 2012. This revised sales tax estimate is approximately \$4.7 million greater in fiscal year 2012 than the projections contained in Chapter 890. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been decreased to offset a portion of the increased sales tax revenues that are projected. 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 \$2.6 million in fiscal year 2012 due to the revised 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 approximately \$2.1 million in fiscal year 2012.

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

Update Lottery Profits Forecast

- **Governor** – The Governor's amended budget increases the estimate of Lottery proceeds by approximately \$18.5 million in fiscal year 2012 (from \$435.9 million to \$454.4 million) over the projections contained in the Chapter 890 budget. This increase includes \$9.0 million in Lottery proceeds that were earned in fiscal year 2011 above appropriated estimates and were carried over for appropriation in fiscal year 2012. Please see the paragraph labeled "Transfer

a Portion of General Fund Programs to Lottery Service Area” below for further details on the accounts being funded by the increased Lottery proceeds.

- *SFC - Same as Governor's amended budget, and increases the Lottery proceeds forecast by an additional \$7 million for fiscal year 2012. The increased Lottery proceeds revenues bring the final Lottery proceeds estimate to \$461.4 million for fiscal year 2012, or a total increase of \$25.5 million over the estimate included in Chapter 890 (from \$435.9 million to \$461.4 million). Please see the paragraph labeled “Transfer a Portion of General Fund Programs to Lottery Service Area” below for further details on the accounts being funded by the increased Lottery proceeds.*
- *House - Same as SFC's amendment.*

Technical Updates to Incentive, Categorical, Lottery, and Supplemental Education Assistance Accounts

- **Governor** – Various technical adjustments have been made to incentive, categorical, Lottery, and supplemental education assistance 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 \$3.4 million in fiscal year 2012 for 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 account and the VPSA Educational Technology grant awards. State funding for Governor's School programs is decreased by \$968,542 in fiscal year 2012, based on actual fiscal year 2012 enrollment (up to the enrollment cap of 1,650 students). VPSA Educational Technology grants were updated for schools reporting fall membership for fiscal year 2012 and for accreditation status based on school year 2010-2011 testing.
 - *Categorical Technical Updates*
The Governor's amended budget recognizes approximately \$2.1 million in savings to categorical accounts based on actual program participation. State funding for the Special Education Homebound program is reduced by \$188,488 in fiscal year 2012 (from \$5.3 million to \$5.1 million) based on the actual state share of local program costs. State funding for the Special Education State Operated Programs account is reduced by \$1.3 million based on actual payments for fiscal year 2011 and estimated program participation in fiscal year 2012. State funding for the Special Education Jails account is reduced by \$655,924 based on estimated program participation in fiscal year 2012.
 - *Lottery Technical Updates*
The Governor's amended budget includes technical updates based on actual participation and revised estimates to the following Lottery-funded accounts: K-3

Primary Class Size Reduction, Early Reading Intervention, Foster Care, At-Risk, Virginia Preschool Initiative, SOL Algebra Readiness, Alternative Education, Special Education - Regional Tuition, Supplemental Basic Aid, School Breakfast, and Education for a Lifetime (EFAL). In addition, based on actual fiscal year 2012 enrollment, Remedial Summer School state funding is decreased by \$517,124 and state funding for English as a Second Language is decreased by \$1.2 million. Please see the paragraph labeled "Transfer a Portion of General Fund Programs to Lottery Service Area" below for further details regarding the allocation of savings resulting from the above technical updates and the accounts being partially funded by Lottery proceeds.

- *Supplemental Assistance Technical Updates*
The Governor's amended budget reduces state funding for bonuses for teachers earning a National Board Certification by \$142,000 based on actual counts of teachers qualifying for the bonus awards in fiscal year 2012.
- ***Executive Amendment** - The per pupil amount used to calculate the funding for the Supplemental Support for School Operating Costs Program for fiscal year 2012 in the 2010-2012 biennial budget as introduced (HB/SB 29) was updated based on revised average daily membership projections for fiscal year 2012. The per pupil amount was adjusted to \$129.78, but should have been held constant at \$129.62, as directed by Chapter 890, the 2011 Appropriation Act. The Governor's executive amendment corrects the per pupil amount, decreasing state funding for the Supplemental Support for School Operating Costs program by \$108,101 in fiscal year 2012.*
- ***SFC** - Same as Governor's amended budget and accepts the Governor's executive amendment. In addition, the SFC includes certain technical adjustments to incentive and Lottery accounts. The SFC's amended budget includes a reduction of \$26,000 in fiscal year 2012 for a technical update to the VPSA Educational Technology Notes program to recognize the corrected number of eligible schools, a reduction of \$21,039 to the Academic Year Governor's School program funding to reflect actual spring 2012 semester enrollment at the A. Linwood Holton Governor's School, a reduction of \$24,415 for a technical update to the K-3 Primary Class Size Reduction program, based on final participation, and an increase in state funding for the Virginia Preschool Initiative of \$123,286 based on final fiscal year 2012 participation. State funding is increased by \$77,832 in fiscal year 2012 to recognize these technical updates.*
- ***House** - Same as SFC's amendment.*

2. Direct Aid Budget Policy Changes

Transfer a Portion of General Fund Programs to Lottery Service Area

- **Governor** – The Governor's amended budget proposes using Lottery proceeds to fund the remaining portion of costs for accounts that were previously funded partially by the general

fund. In fiscal year 2012, the Governor's amended budget proposes to fund Textbooks payments and Composite Index Hold Harmless payments completely by Lottery proceeds. This represents a general fund savings of \$547,306 for Textbooks payments and \$14.6 million for Composite Index Hold Harmless payments. Additionally, the Governor's amended budget proposes funding approximately \$17.5 million of the Supplemental Support for School Operating Costs account from Lottery proceeds. These changes modify the source of funds used to support the programs but do not alter their funding methodologies or the division payment amounts. The remaining costs for the Supplemental Support for School Operating Costs account will continue to be funded by the general fund so the estimated payment amounts for each school division do not change as a result of these actions. The state recognizes a corresponding general fund savings equal to the transfer amounts above.

Please see the paragraphs labeled "Update Lottery Profits Forecast" and "Lottery Technical Updates" above for further details regarding the actions taken that generated the available Lottery proceeds used to fund the policy actions described in this section.

- *SFC - Accepts Governor's amended budget and proposes using all of the additional \$7 million in Lottery proceeds mentioned above in the section labeled "Update Lottery Profits Forecast" to fund a greater portion of the Supplemental Support for School Operating Costs account from the Lottery proceeds fund. As with the Governor's amended budget, this change only modifies the source of funds supporting the Supplemental Support for School Operating Costs account, and does not alter the funding methodology or division payment amounts.*
- *House - Same as SFC's amendment.*

3. Direct Aid Budget Policy Changes Not Included in HB/SB 29

Performance Pay Initiative

- *SFC - The SFC's amended budget proposes to remove the \$3.0 million in fiscal year 2012 funding for the Performance Pay Initiative. In a separate action, the SFC's proposed 2012-2014 budget includes \$1,050,000 in fiscal year 2013 only to fund the 2011-2012 Performance Pay Pilot since the pilot grant awards will not be distributed until fiscal year 2013 due to the availability of performance data used in the local evaluation models.*
- *House - No action taken.*

Increase Funding for the Southside Virginia Regional Technology Consortium

- *SFC - The SFC's amended budget proposes to increase funding to the Southside Virginia Regional Technology Consortium by \$50,000 in fiscal year 2012.*
- *House - No action taken.*