

## **Summary of Budget Amendments Adopted by the 2012 Special Session I of the General Assembly to the 2012-2014 Biennial Budget as Introduced (HB 1301) Affecting the Direct Aid to Public Education and Department of Education Central Office Budgets**

This document provides a summary of amendments to the introduced 2012-2014 biennial budget (HB 1301) that were adopted by the 2012 Special Session I of the General Assembly on April 18, 2012. The amendments proposed by the General Assembly change the budget introduced by Governor McDonnell in HB/SB 30 at the regular session, and reintroduced as HB 1301 for the special session. The adopted changes affect fiscal years 2013 and 2014. Fiscal year 2013 begins on July 1, 2012, and ends on June 30, 2013. Fiscal year 2014 begins on July 1, 2013, and ends on June 30, 2014.

The budget actions originally proposed by Governor McDonnell in HB/SB 30 were communicated in Attachment A of [Superintendent's Memorandum No. 332-11](#) dated December 19, 2011. The amendments proposed by the House of Delegates and the Senate Finance Committee were communicated in Attachment B of [Superintendent's Memorandum No. 062-12](#), dated February 24, 2012. The original text of Governor McDonnell's proposed budget and the House of Delegates proposed amendments from these attachments are repeated in this document for reference purposes. The proposed Senate amendments included in this attachment reflect budget actions approved by the Senate on March 26, 2012. The final budget actions proposed by the General Assembly are summarized in this document and are reflected as "Final General Assembly Action" in italicized text.

NOTE: Final General Assembly actions are subject to review and approval by the Governor, who maintains line-item amendment or veto authority that can be invoked during the Veto Session, expected to occur in mid-May. This authority permits the Governor to amend or remove certain provisions of the budget – or line-items – without having to veto the entire budget bill.

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

### **Section A. Direct Aid to Public Education Budget**

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB 1301
3. Direct Aid Budget Policy Changes Not Included in HB 1301
4. Language-Only Amendments for Direct Aid Programs Included in HB 1301

5. Language-Only Amendments for Direct Aid Programs Not Included in HB 1301

## **Section B. Department of Education Central Office Budget**

1. Central Office Policy Changes Impacting School Divisions Included in HB 1301
2. Central Office Policy Changes Impacting School Divisions Not Included in HB 1301

## **A. DIRECT AID TO PUBLIC EDUCATION**

### **1. Technical Updates to Existing Direct Aid Programs**

#### **Rebenchmark Direct Aid Costs for 2012-2014 (as presented to the Board of Education in July 2011)**

- **Governor** – The Governor’s introduced budget includes the state share of routine rebenchmarking of 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 costs, Standards of Learning test score updates, enrollment updates, and projected caseloads for categorical programs. The 2012-2014 Board of Education rebenchmarking presentation dated July 28, 2011, provided as Attachment D to this memorandum, provides additional information about the details and source of the data used to make these technical updates. 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 2013, routine rebasing of costs for the Standards of Quality and other Direct Aid programs results in an increase of \$145.6 million. For fiscal year 2014, the increase is \$173.1 million.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- **Final General Assembly Action** – *Same as Governor’s introduced budget.*

#### **Technical Updates to Direct Aid Accounts for 2012-2014 Subsequent to the Rebenchmarking Budget Presented to the Board of Education in July 2011**

- **Governor** – The Governor’s introduced budget includes the state share of cost for additional technical updates related to the rebenchmarking process that occurred after the Board of Education budget was presented in July 2011, due to the timing of data availability. These technical adjustments include updates to factors such as enrollment projections, Standards of Learning failure rate data, and caseloads for incentive and categorical programs. 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. These updates

decrease the state share of cost by \$4.1 million in fiscal year 2013 and \$2.6 million in fiscal year 2014.

- **Executive Amendment** – The Governor’s executive amendment updates the school-level free lunch eligibility percentage used to calculate K-3 Primary Class Size program funding for fiscal year 2013 and fiscal year 2014 to reflect October 2010 free lunch percentages. Based on the October 2010 free lunch percentages, the state share of K-3 Primary Class Size funding increases by \$23.5 million in fiscal year 2013 and \$23.6 million in fiscal year 2014. Funding increases for most divisions due to this update.
- **Senate** – Same as Governor’s introduced budget. Also accepts the Governor’s executive amendment and amends the appropriation act language to allow school divisions additional flexibility with respect to the pupil-teacher ratios and maximum class size cap required to qualify for state K-3 Primary Class Size funding in fiscal year 2013 only. The proposed flexibility would permit schools to exceed their funded pupil-teacher ratio by up to five students while establishing a maximum class size of 24 for all schools qualifying for K-3 funding in fiscal year 2013. School divisions would be required to meet their required pupil-teacher ratios and maximum class sizes under the existing program without the additional flexibility in fiscal year 2014.
- **House** – Same as Governor’s introduced budget. Also accepts the Governor’s executive amendment but reduces funding for the K-3 Primary Class Size program based on the professional VRS rate of 10.23 percent. See “Update Fringe Benefit Employer Contribution Rates” section below for additional details on the proposed professional VRS rate adopted in the House’s amended budget.
- **Final General Assembly Action** – *Same as Governor’s introduced budget and accepts the Governor’s executive amendment for additional K-3 Primary Class Size Reduction program funding. In addition, the General Assembly amended the appropriation act language to allow school divisions additional flexibility regarding the pupil-teacher ratios required to qualify for state K-3 Primary Class Size Reduction funding in fiscal years 2013 and 2014. The proposed flexibility would permit participating schools to exceed their funded school-wide pupil-teacher ratio for grades K-3 by up to three students; however, the required maximum class size caps remain unchanged. Beginning in fiscal year 2015, school divisions would be required to meet their required pupil-teacher ratios and maximum class sizes under the existing K-3 Primary Class Size Reduction program without the additional flexibility.*

*The General Assembly also provided an additional \$3.7 million in fiscal year 2013 and \$3.2 million in fiscal year 2014 to fund instructional positions at regional vocational education programs historically funded in the responsible school division’s Standards of Quality funding formula for vocational education that were not funded in HB 1301 as introduced. The additional funds are not a required pass-through to the regional program since they represent the state share of the responsible school division’s instructional positions serving at the regional center.*

**Update Fringe Benefit Employer Contribution Rates**

- **Governor** – The Governor’s introduced budget adopts a higher employer contribution rate for instructional retirement benefits in 2012-2014 than was funded in Chapter 890 for fiscal year 2012 (6.33 percent to 11.66 percent). The rate recommended by the Governor is based on the same actuarial assumptions as the rate recommended by the Virginia Retirement System (VRS) Board except for the rate of return on investment assets. The Governor’s recommended rate assumes an 8.0 percent rate of return while the rate recommended by the VRS Board assumes a 7 percent rate of return. The prevailing non-professional VRS rate has been updated and is funded at 10.23 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 2012-2014 reflects a rate increase from fiscal year 2012 (0.6 percent to 1.11 percent). For the group life contribution, the rate proposed for 2012-2014 reflects a rate increase from fiscal year 2012 (0.28 percent to 0.48 percent). All fringe benefit rates are proposed to be the same in fiscal years 2013 and 2014. These rate changes increase state funding by \$170.9 million in fiscal year 2013 and \$171.5 million in fiscal year 2014 (compared to costs based on fiscal year 2012 rates).

FUNDED FRINGE BENEFIT RATES:	FY 2012	FY 2013	FY 2014
Instructional & Professional Support VRS ( <u>Employer Share</u> ) ( <b>Does not include RHCC - see below</b> )	6.33%	11.66%	11.66%
Instructional & Professional Support VRS ( <u>Employee Share</u> )	5.00%	5.00%	5.00%
<b>Total Instructional &amp; Professional Support VRS Rate</b>	<b>11.33%</b>	<b>16.66%</b>	<b>16.66%</b>
Group Life ( <u>Employer Share</u> )	0.28%	0.48%	0.48%
Group Life ( <u>Employee Share</u> )	0%	0.71%	0.71%
<b>Total Group Life Rate</b>	<b>0.28%</b>	<b>1.19%</b>	<b>1.19%</b>
Retiree Health Care Credit ( <i>Paid as part of the VRS Instructional retirement per pupil amount</i> )	0.60%	1.11%	1.11%
Non-professional Support VRS	7.53%	10.23%	10.23%
Social Security	7.65%	7.65%	7.65%
Health Care Premium	\$3,375	\$3,778	\$3,778
Total Instructional Benefit Percent ( <u>Employer Share</u> )	<b>14.86%</b>	<b>20.90%</b>	<b>20.90%</b>
Total Non-professional Support Benefit Percent	<b>15.46%</b>	<b>18.36%</b>	<b>18.36%</b>

- **Senate** – Same as Governor’s introduced budget. The Senate also proposes an additional \$22.5 million in fiscal year 2013 and fiscal year 2014 to assist school divisions in funding the increased employer contribution rates proposed by the Governor. Funding to school divisions is based on a pro-rata share of the value each division was reduced by the Governor’s action to remove support non-personal inflation in HB 1301 as introduced. No local match is required to receive these state funds.

<b>FUNDED FRINGE BENEFIT RATES:</b>	<b>FY 2012</b>	<b>Proposed Senate Budget</b>	
		<b>FY 2013</b>	<b>FY 2014</b>
Instructional & Professional Support VRS ( <u>Employer Share</u> ) <i>(Does not include RHCC - see below)</i>	6.33%	11.66%	11.66%
Instructional & Professional Support VRS ( <u>Employee Share</u> )	5.00%	5.00%	5.00%
<b>Total Instructional &amp; Professional Support VRS Rate</b>	<b>11.33%</b>	<b>16.66%</b>	<b>16.66%</b>
Group Life ( <u>Employer Share</u> )	0.28%	0.48%	0.48%
Group Life ( <u>Employee Share</u> )	0%	0.71%	0.71%
<b>Total Group Life Rate</b>	<b>0.28%</b>	<b>1.19%</b>	<b>1.19%</b>
Retiree Health Care Credit <i>(Paid as part of the VRS Instructional retirement per pupil amount)</i>	0.60%	1.11%	1.11%
Non-professional Support VRS	7.53%	10.23%	10.23%
Social Security	7.65%	7.65%	7.65%
Health Care Premium	\$3,375	\$3,778	\$3,778
Total Instructional Benefit Percent ( <u>Employer Share</u> )	<b>14.86%</b>	<b>20.90%</b>	<b>20.90%</b>
Total Non-professional Support Benefit Percent	<b>15.46%</b>	<b>18.36%</b>	<b>18.36%</b>

- **House** – Proposes decreasing the employer contribution rate for VRS professional group retirement benefits from 11.66 percent to 10.23 percent in each fiscal year. The funded rates for the retiree health care credit, group life contribution, and Social Security remain unchanged from the Governor’s introduced budget for fiscal years 2013 and 2014. This rate change decreases state funding to be distributed to school divisions by approximately \$40.0 million in fiscal year 2013 and \$40.4 million in fiscal year 2014 compared to the Governor’s introduced budget. Please note that the proposed rate change would also impact school division employer contributions paid to the VRS in fiscal years 2013 and 2014. Additional information regarding the benefit rates included in the House’s amended budget is provided in the table below.

In addition, the House’s proposed budget includes a transfer of \$30.0 million in each fiscal year from the Department of Education to VRS with no local matching requirement. This payment would be made by the Department of Education directly to VRS, not to school divisions.

FUNDED FRINGE BENEFIT RATES:	FY 2012	Proposed House Budget	
		FY 2013	FY 2014
Instructional & Professional Support VRS ( <u>Employer Share</u> ) ( <b>Does not include RHCC - see below</b> )	6.33%	10.23%	10.23%
Instructional & Professional Support VRS ( <u>Employee Share</u> )	5.00%	5.00%	5.00%
<b>Total Instructional &amp; Professional Support VRS Rate</b>	<b>11.33%</b>	<b>15.23%</b>	<b>15.23%</b>
Group Life ( <u>Employer Share</u> )	0.28%	0.48%	0.48%
Group Life ( <u>Employee Share</u> )	0%	0.71%	0.71%
<b>Total Group Life Rate</b>	<b>0.28%</b>	<b>1.19%</b>	<b>1.19%</b>
Retiree Health Care Credit ( <i>Paid as part of the VRS Instructional retirement per pupil amount</i> )	0.60%	1.11%	1.11%
Non-professional Support VRS	7.53%	10.23%	10.23%
Social Security	7.65%	7.65%	7.65%
Health Care Premium	\$3,375	\$3,899*	\$3,899 *
Total Instructional Benefit Percent ( <u>Employer Share</u> )	<b>14.86%</b>	<b>19.47%</b>	<b>19.47%</b>
Total Non-professional Support Benefit Percent	<b>15.46%</b>	<b>18.36%</b>	<b>18.36%</b>

**\*Note:** The funded Health Care Premium shown in the proposed 2012-2014 House budget table above includes the increase in the funded premium resulting from the support inflation funded in each fiscal year. Additional information on the inflation costs funded in the House’s proposed budget is included in the section entitled “Remove Non-personal Inflation Funding for the 2012-2014 Biennium” below.

- **Final General Assembly Action** – Same as Governor’s introduced budget. The General Assembly also proposes an additional \$55.0 million in fiscal year 2013 and fiscal year 2014 to assist school divisions in funding the increased employer contribution rates, the elimination of support non-personal inflation, and changes in the Virginia Preschool Initiative funding methodology. See section titled “Additional Assistance with Retirement, Inflation, and Preschool Costs” below for additional information. The table below reflects the General Assembly’s final actions and reflects the same rates as provided on page 4 above.

FUNDED FRINGE BENEFIT RATES:	FY 2012	FY 2013	FY 2014
Instructional & Professional Support VRS ( <u>Employer Share</u> ) (Does not include RHCC - see below)	6.33%	11.66%	11.66%
Instructional & Professional Support VRS ( <u>Employee Share</u> )	5.00%	5.00%	5.00%
<b>Total Instructional &amp; Professional Support VRS Rate</b>	<b>11.33%</b>	<b>16.66%</b>	<b>16.66%</b>
Group Life ( <u>Employer Share</u> )	0.28%	0.48%	0.48%
Group Life ( <u>Employee Share</u> )	0%	0.71%	0.71%
<b>Total Group Life Rate</b>	<b>0.28%</b>	<b>1.19%</b>	<b>1.19%</b>
Retiree Health Care Credit ( <i>Paid as part of the VRS Instructional retirement per pupil amount</i> )	0.60%	1.11%	1.11%
Non-professional Support VRS	7.53%	10.23%	10.23%
Social Security	7.65%	7.65%	7.65%
Health Care Premium	\$3,375	\$3,778	\$3,778
Total Instructional Benefit Percent ( <u>Employer Share</u> )	<b>14.86%</b>	<b>20.90%</b>	<b>20.90%</b>
Total Non-professional Support Benefit Percent	<b>15.46%</b>	<b>18.36%</b>	<b>18.36%</b>

**Updates for Recalculation of Composite Index for 2012-2014**

- **Governor** – The 2012-2014 composite index of local ability-to-pay was calculated using 2009 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 2009 are provided by the Weldon Cooper Center for Public Service at the University of Virginia, and the March 31, 2010, average daily membership is based on data reported by school divisions to the Department of Education. Updating Direct Aid accounts based on the recalculated 2012-2014 composite index increases the state share of Direct Aid funding by \$42.7 million in fiscal year 2013 and \$45.0 million in fiscal year 2014.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- **Final General Assembly Action** – Same as Governor’s introduced budget.

## Update Sales Tax Projections

- **Governor** – The Governor’s introduced budget reflects the most recent estimates of sales tax revenue dedicated to public education for fiscal years 2013 and 2014, as computed by the Department of Taxation. The revised sales tax estimates 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 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 \$1,202,500,000 for fiscal year 2013 and \$1,243,700,000 for fiscal year 2014. These revised sales tax estimates are approximately \$40.2 million higher in fiscal year 2013 and \$81.4 million higher in fiscal year 2014 than the fiscal year 2012 estimate contained in Chapter 890. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been adjusted to reflect the decreased 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 \$22.6 million in fiscal year 2013 and \$45.7 million in fiscal year 2014 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 \$17.6 million in fiscal year 2013 and an increase of \$35.7 million in fiscal year 2014.

In addition, effective with fiscal year 2013, the Governor’s budget bases the distribution of sales tax revenues to school divisions on the estimate of school-age population as provided by the Weldon Cooper Center for Public Service at the University of Virginia.

- **Senate** – The Senate’s proposed budget increases the sales tax estimates by approximately \$6.0 million in fiscal year 2013 and \$6.9 million in fiscal year 2014 from the projections contained in the Governor’s introduced budget. These changes reflect increased sales tax revenues due to the passage of [Senate Bill 597](#), which would require internet businesses with bricks-and-mortar facilities in Virginia to collect state sales tax on transactions with Virginia residents. The revised total sales tax estimates included in the Senate’s proposed budget are \$1,208,470,000 in fiscal year 2013 and \$1,250,570,000 in fiscal year 2014.

The state share of Basic Aid decreases by \$3.4 million in fiscal year 2013 and \$3.9 million in fiscal year 2014 due to the revised sales estimates. The local share of Basic Aid also 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 increase and the Basic Aid decrease) is an increase of \$2.6 million in fiscal year 2013 and \$3.0 million in fiscal year 2014.

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



- ***Final General Assembly Action*** – *Increases the sales tax estimates by \$5,450,000 in fiscal year 2014 from the projections contained in the Governor’s introduced budget. These changes reflect increased sales tax revenues due to the passage of [Senate Bill 597](#), which would require internet businesses with bricks-and-mortar facilities in Virginia to collect state sales tax on transactions with Virginia residents. The revised total sales tax estimate in fiscal year 2014 is \$1,249,150,000.*

*The state share of Basic Aid decreases by \$3.1 million in fiscal year 2014 due to the revised sales estimates. The local share of Basic Aid also decreases in fiscal year 2014 due to the increased sales tax estimate. The net change in state funding to school divisions (due to both the estimated sales tax increase and the Basic Aid decrease) is an increase of \$2.4 million in fiscal year 2014.*

### **Update Lottery Proceeds**

- **Governor** – Total Lottery proceeds are projected to increase by \$14.4 million to \$450.3 million in fiscal year 2013 and by \$19.1 million to \$455.0 million in fiscal year 2014, compared to the fiscal year 2012 Lottery estimate contained in Chapter 890. The total projected Lottery amounts in fiscal years 2013 and 2014 are being used to fund the state share of cost of various programs, such as the Virginia Preschool Initiative, Early Reading Intervention, K-3 Primary Class Size Reduction, and SOL Algebra Readiness. Please see the paragraph labeled “Textbook Funding” below for updates to the Textbooks account.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – *Same as Governor’s introduced budget.*

## **2. Direct Aid Budget Policy Changes Included in HB 1301**

### **Remove Non-personal Inflation Funding for the 2012-2014 Biennium**

- **Governor** – The Governor’s introduced budget proposes eliminating funded inflation factors from the non-personal component of Basic Aid for the 2012-2014 biennium. Typically, as part of the biennial rebenchmarking process, the Department of Education updates non-personal inflation factors to bring base year expenditures up to the start of the new biennium. By removing this update from the process, the state share of Basic Aid funding is reduced by \$54.4 million in fiscal year 2013 and \$54.6 million in fiscal year 2014.
- **Senate** – Same as Governor’s introduced budget.
- **House** – The House’s proposed budget restores non-personal inflation in fiscal years 2013 and 2014 based on January 2012 recognized inflation rates. As part of the proposed

restoration of funding for non-personal inflation, the funded health care premium is increased from \$3,778 in the Governor's introduced budget to \$3,899 in fiscal years 2013 and 2014. The funded Textbooks per pupil amount is also increased from \$89.73 in the Governor's introduced budget to \$93.31 in fiscal years 2013 and 2014 based on the recognized inflation factors. The state share of funding to restore non-personal inflation is approximately \$53.0 million in fiscal year 2013 and \$53.1 million in fiscal year 2014.

- ***Final General Assembly Action*** – Same as Governor's introduced budget. The General Assembly also proposes an additional \$55.0 million in fiscal year 2013 and fiscal year 2014 to assist school divisions in funding the increased VRS employer contribution rates, the elimination of support non-personal inflation, and changes in the Virginia Preschool Initiative funding methodology. See section titled "Additional Assistance with Retirement, Inflation, and Preschool Costs" below for additional information.

### **Increase Funding for Jobs for Virginia Graduates Program**

- **Governor** – For fiscal year 2013 and fiscal year 2014, state funding for the Jobs for Virginia Graduates program is increased by \$250,000, from \$373,776 to \$623,776 each year.

Please note that programs under the "Supplemental Education" category, such as Jobs for Virginia Graduates, are not included in Attachment D or the Excel template. Funding for supplemental education programs are not distributed to school divisions statewide, and serve a unique purpose for specific school divisions.

- **Senate** – Same as Governor's introduced budget.
- **House** – The House budget eliminates the additional \$250,000 state funding for the Jobs for Virginia Graduates program in each year that was included in the Governor's introduced budget. State funding reverts back to the \$373,776 funded in fiscal year 2012.
- ***Final General Assembly Action*** – Same as the House amendment.

### **Update the Federal Revenue Deduct in Basic Aid Formula**

- **Governor** – The Governor's introduced budget proposes including in the federal revenue deduct calculation a portion of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) revenues from fiscal year 2010, the base year of Annual School Report Financial Section (ASRFIN) data used to calculate state SOQ funding for the 2012-2014 biennium. The proposed portion of ARRA SFSF revenues to be included in the federal revenue deduct represents 59.2% of total ARRA SFSF revenues to school divisions in fiscal year 2010, from the portion of SFSF allocated by the General Assembly to offset permanent state Direct Aid reductions in fiscal year 2010. This action results in a reduction of state funding of \$54.0 million in fiscal year 2013 and a reduction of \$54.1 million in fiscal year 2014.

- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – *Same as Governor’s introduced budget.*

**Remove the Cost of Competing Adjustment (COCA) from the Support Position Portion of State SOQ Basic Aid Funding**

- **Governor** – The Governor’s introduced budget eliminates the cost of competing adjustment (COCA) factor for funded SOQ Basic Aid support positions for school divisions in Planning District Eight and certain adjacent divisions (specified in the appropriation act) in fiscal years 2013 and 2014. Chapter 890 provides the state share of funding for the full COCA rate (24.61 percent) on SOQ funded support positions for the Planning District Eight school divisions and a phased-in rate of 6.15 percent for certain adjacent divisions. The Governor’s introduced budget proposes the elimination of state funding for both the full and phased-in COCA factors for SOQ funded support positions in fiscal years 2013 and 2014. This action results in a decrease in state funding of \$32.2 million in fiscal year 2013 and \$32.8 million in fiscal year 2014.
- **Senate** – The Senate’s proposed budget restores state funding for the COCA factor applied to funded SOQ Basic Aid support positions in fiscal year 2013 based on the 24.61 percent rate for the nine Planning District Eight school divisions and 6.15 percent for the phased-in rate (25 percent of the full rate) for certain adjacent divisions funded in Chapter 890. For fiscal year 2014, the Senate proposes funding the state share of COCA for funded SOQ Basic Aid support positions using the instructional COCA rate applied to funded SOQ Basic Aid instructional positions for the nine Planning District Eight school divisions, which is 9.83 percent, with the phased-in rate for certain adjacent divisions funded at 25 percent of this rate, 2.46 percent. In addition, an amendment in Central Appropriations provides the remaining \$18.5 million in the second year to fully fund this restoration contingent on the fiscal year 2013 revenue exceeding the state forecast. This action increases state funding by approximately \$30.1 million in fiscal year 2013 and \$12.1 million in fiscal year 2014.
- **House** – For fiscal years 2013 and 2014, the House proposes funding the state share of COCA for funded SOQ Basic Aid support positions using the same COCA rates that are applied to funded SOQ Basic Aid instructional positions. The COCA rate to be applied to funded SOQ Basic Aid support positions for the nine Planning District Eight school divisions is 9.83 percent, and the phased-in rate (25 percent of the full rate) for certain adjacent divisions is 2.46 percent. This action increases state funding by approximately \$12.0 million in fiscal year 2013 and \$12.3 million in fiscal year 2014.
- ***Final General Assembly Action*** – *Restores a portion of state funding for the COCA factor applied to funded SOQ Basic Aid support positions. In fiscal year 2013, the support COCA rate is funded at 22.70 percent for the nine Planning District Eight school divisions and 5.67 percent for the phased-in rate for certain adjacent divisions. For fiscal year 2014, the state*

*share of COCA for funded SOQ Basic Aid support positions is funded using the instructional COCA rate applied to funded SOQ Basic Aid instructional positions for the nine Planning District Eight school divisions, which is 9.83 percent, with the phased-in rate for certain adjacent divisions funded at 25 percent of this rate, or 2.46 percent. This action increases state funding by approximately \$27.8 million in fiscal year 2013 and \$12.1 million in fiscal year 2014.*

### **Transfer the Remedial Summer School Program from the Lottery Service Area to the Standards of Quality Service Area**

- **Governor** – The Governor’s introduced budget proposes transferring the Remedial Summer School program from the Lottery service area to be funded with general funds in the Standards of Quality service area. This fund source switch does not impact projected payments to school divisions. Transfer of this program from the Lottery service area increases the amount of Lottery proceeds available for other programs by \$22.3 million in fiscal year 2013 and \$23.1 million in fiscal year 2014. The Governor’s introduced budget utilizes this portion of Lottery funds to support the increased state share of cost associated with technical updates to other Lottery-funded programs, as well as the additional Textbooks payments funded by Lottery proceeds (please see the paragraphs labeled “Update Lottery Proceeds” above and “Textbook Funding” below for further details on these updates.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- **Final General Assembly Action** – *Same as Governor’s introduced budget.*

### **Decrease Literary Fund Support for VRS Retirement**

- **Governor** – The Governor’s introduced budget holds constant the transfer from the Literary Fund to support the state share of cost for teacher retirement at \$130.1 million in fiscal year 2013. In fiscal year 2014, the Literary Fund transfer amount decreases by \$300,000, from \$130.1 million to \$129.8 million. These actions do not affect division per pupil amounts or projected entitlements for VRS retirement in fiscal year 2013 or fiscal year 2014.
- **Senate** – The Senate proposes increasing the transfer from the Literary Fund to support the state share of cost for teacher retirement by \$3.6 million each fiscal year. The Literary Fund transfer amount increases from \$130.1 million to \$133.7 million in fiscal year 2013, and from \$129.8 million to \$133.4 million in fiscal year 2014. This action does not affect division per pupil amounts or projected entitlements for VRS retirement in fiscal year 2013 or fiscal year 2014.
- **House** – Same as Governor’s introduced budget.

- ***Final General Assembly Action*** – *Increases the transfer from the Literary Fund to support the state share of cost for teacher retirement by \$1.0 million each fiscal year. The Literary Fund transfer amount increases from \$130.1 million to \$131.1 million in fiscal year 2013, and from \$129.8 million to \$130.8 million in fiscal year 2014. This action does not affect division per pupil amounts or projected state entitlements for VRS retirement in fiscal year 2013 or fiscal year 2014.*

### **Increase Funding for National Board Certification Bonuses**

- **Governor** – The Governor’s introduced budget includes an additional \$215,000, from \$4,970,000 to \$5,185,000, in fiscal year 2013 and fiscal year 2014 to support the projected number of eligible teachers qualifying for the National Board Certification bonuses awarded by the state.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – *Same as Governor’s introduced budget.*

### **Virginia Preschool Initiative (VPI)**

- **Governor** – In addition to the technical updates for the Virginia Preschool Initiative (VPI), the Governor’s introduced budget also proposes the following changes to the funding methodology:
  - The number of unserved at-risk four-year-olds in each locality will be based on the projected number of kindergarten students, updated once each biennium with the Governor’s introduced biennial budget. The division-level free lunch eligibility percentage will continue to be used, but applied to kindergarten enrollment.
  - For fiscal year 2013 and fiscal year 2014 only, the number of slots funded in each school division will be the higher of 1) the calculated slots based on projected kindergarten enrollment or 2) the lesser of either the calculated slots using projections of four-year-olds from the Virginia Employment Commission (VEC) or the actual number of utilized slots in fiscal year 2012. Beginning with fiscal year 2015, the number of funded slots would be based only on projected kindergarten enrollment in lieu of VEC projected number of four-year-olds.
  - The projected VPI non-participation rate in both fiscal year 2013 and fiscal year 2014 remains at the same 25.43 percent rate contained in Chapter 890 for fiscal year 2012. This estimate of non-participation affects the state appropriation for the program but does not change the division-level entitlement amounts.

After all policy actions, including the estimate of non-participation, state funding for VPI is reduced by \$40.3 million in fiscal year 2013 and \$41.3 million in fiscal year 2014.

- **Senate** – Same as Governor’s introduced budget. In addition, the Senate’s proposed budget proposes increasing the funded full-day per pupil amount for VPI from \$6,000 to \$6,800 (half-day per pupil amount from \$3,000 to \$3,400) in each fiscal year. This action increases the state share of funding for VPI by approximately \$9.1 million in each fiscal year. In a separate action, the Senate’s proposed budget also continues the proposed hold harmless methodology for VPI proposed in the Governor’s introduced budget beyond the 2012-2014 biennium.
- **House** – Same as Governor’s introduced budget.
- **Final General Assembly Action** – *Same as Governor’s introduced budget. The General Assembly also proposes an additional \$55.0 million in fiscal year 2013 and fiscal year 2014 to assist school divisions in funding the increased VRS employer contribution rates, the elimination of support non-personal inflation, and changes in the Virginia Preschool Initiative funding methodology. See section titled “Additional Assistance with Retirement, Inflation, and Preschool Costs” below for additional information.*

#### **Eliminate Funding for Project Discovery**

- **Governor** – The Governor’s introduced budget eliminates state funding for Project Discovery, resulting in a savings of \$619,650 in each year of the biennium. The savings amount is being redirected to partially support new state funding for Communities in Schools, as described below.
- **Senate** – The Senate’s proposed budget restores state funding for Project Discovery in each fiscal year back to the \$619,650 total funded in Chapter 890 for fiscal year 2012.
- **House** – Same as Governor’s introduced budget.
- **Final General Assembly Action** – *Partially restores the funding for Project Discovery by providing \$350,000 for the program each fiscal year.*

#### **Eliminate Funding for Mentoring in Hard-to-Staff Schools and Redirect the Funding**

- **Governor** – The Governor’s introduced budget proposes eliminating state funding for the Mentoring in Hard-to-Staff Schools portion of Education for a Lifetime (EFAL) in fiscal year 2013 and fiscal year 2014. The savings of \$839,067 for each year resulting from this action is used to fund the following programs:
  - Increase state funding for Race to GED by \$385,138 in each year to partially address increased GED testing costs at the local level. Please see the paragraph labeled

“Increase Funding for Race to GED” below for further details regarding changes to the Race to GED account.

- Increase state funding for Summer Residential Governor’s Schools and Foreign Language Academies by \$60,068 in each year to help address the rising costs of these programs and maintain existing program offerings.
  - The Governor’s introduced budget includes an additional \$325,000 in each year of the biennium for the Virtual Virginia program to support the statewide implementation and operation of the required Economics and Personal Finance course. This funding will ensure that sufficient student slots are available to accommodate statewide demand for the course. Beginning with the current ninth-grade class, each student is required to obtain one standard unit of credit in Economics and Personal Finance to graduate with a Standard or Advanced Studies Diploma.
  - Provide \$100,000 each year to assist in the development of charter schools. The Superintendent of Public Instruction will award grants to charter schools using criteria established by the Department of Education.
- **Senate** – The Senate’s proposed budget restores \$500,000 in each fiscal year for Mentoring in Hard-to-Staff Schools. The Senate accepts the Governor’s amendment to add \$325,000 to Virtual Virginia and increases the Virtual Virginia funding by an additional \$1.0 million in each fiscal year to support increasing the number of course sections offered and to develop additional course offerings. The Senate accepts the Governor’s amendments for Race to GED and charter school assistance, but at reduced levels. The Senate’s budget reduces the Governor’s additional Race to GED funding by \$75,000 in fiscal year 2014, from \$385,138 to \$310,138. Lastly, the Senate agrees to the Governor’s funding for charter school assistance in fiscal year 2013, but eliminates the proposed \$100,000 in fiscal year 2014 for this purpose.
  - **House** – Same as Governor’s introduced budget.
  - **Final General Assembly Action** – *Accepts the Governor’s introduced budget amendments with the following additional actions/exceptions: increases the Virtual Virginia program funding by an additional \$1.0 million in each fiscal year to support increasing the number of course sections offered and to develop additional course offerings. The additional Race to GED funding was funded in fiscal year 2013 but was reduced by \$75,000 in fiscal year 2014, from \$385,138 to \$310,138. The General Assembly funded the Governor’s request to provide \$100,000 in fiscal year 2013 for charter school supplemental grants, but eliminates the proposed \$100,000 in fiscal year 2014 for this purpose.*

### **Reduce Funding for Adult Literacy**

- **Governor** – The Governor’s introduced budget proposes reducing state funding for Adult Literacy by \$165,375 in each year of the biennium. The savings resulting from this action come from a reduction of the state adult literacy funding for the Virginia Department of Housing and Community Development (\$125,000) and the Virginia Education Technology

Alliance (\$40,375). These savings have been redirected to partially fund the expansion of the PluggedInVA initiative to all eight superintendents' regions across the state. Please see the paragraph labeled "Expand PluggedInVA" below for further details on this program.

- **Senate** – Same as Governor's introduced budget.
- **House** – Same as Governor's introduced budget.
- ***Final General Assembly Action*** – *Same as Governor's introduced budget.*

### **Increase Funding for Race to GED**

- **Governor** – The Governor's introduced budget provides an additional \$385,138 in each year of the biennium to address an increase in GED testing costs at the local level. This increase is being supported by the transfer of state funding from the Mentor Teacher in Hard-to-Staff Schools account, which is being eliminated. The fees charged by GED testing vendors increased by \$13 (from \$45 to \$58 per test taker) in July 2011, and are expected to continue to rise substantially in the coming two years as the test content and format change. The additional \$385,138 each year offsets the \$13 increase in the current GED testing cost.
- **Senate** – Same as Governor's introduced budget in fiscal year 2013, but reduces the additional \$385,138 by \$75,000 to \$310,138 in fiscal year 2014.
- **House** – Same as Governor's introduced budget.
- ***Final General Assembly Action*** – *Accepts the Senate amendment.*

### **Expand PluggedInVA**

- **Governor** – The Governor's introduced budget includes \$465,375 in each year of the biennium for the expansion of the PluggedInVA initiative to all eight superintendents' regions across the state. PluggedInVA is an integrated adult education and work force training program in which adults who lack a high school diploma earn a GED certificate, Career Readiness Certificate, at least one industry certification, and up to 24 credits at partnering community colleges. The curriculum is targeted to growth industries within the regions where the program is implemented.

Funding is provided to expand PluggedInVA by redirecting existing state funds in the Direct Aid to Public Education budget. Specifically, the state adult literacy funding for the Virginia Department of Housing and Community Development (\$125,000) and the Virginia Education Technology Alliance (\$40,375) have been redirected to the PluggedInVA initiative. In addition, \$300,000 in existing state funding for the Race to GED program will be allocated to the PluggedInVA initiative.

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



- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – *Same as Governor’s introduced budget.*

### **Increase Funding for Virginia Workplace Readiness Skills Assessment**

- **Governor** – The Governor’s introduced budget includes \$308,655 in each year of the biennium for the new Virginia workplace readiness skills assessment and other Board-approved industry certifications. This would cover the cost of the workplace readiness skills assessment for 40 percent of the students who graduate from Virginia public schools each year, based on the per student cost for the Virginia workplace readiness skills assessment of \$9.00. School divisions could choose to use these funds to cover the costs of other industry certifications that have been approved by the Board of Education. Existing federal and state career and technical education funds may also be used to cover the cost of the Virginia workplace readiness skills assessment and other Board-approved industry certifications.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – *Same as Governor’s introduced budget.*

### **Fund Testing Costs for the Preliminary SAT (PSAT) for all 10th graders**

- **Governor** – The Governor’s introduced budget includes \$913,016 in each year of the biennium to pay the testing fees for all tenth-grade students enrolled in a public school in Virginia to take the Preliminary SAT (PSAT) exam. This funding assumes a statewide participation rate of 75 percent.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Eliminates the \$913,016 in each year of the biennium included in the Governor’s introduced budget.
- ***Final General Assembly Action*** – *Accepts the House amendment.*

### **Fund New Supplemental Education Initiatives**

- **Governor** – The Governor’s introduced budget proposes funding for the following new Supplemental Education initiatives:

- *Math & Science Teacher Recruitment Pilot Initiative*  
The Governor's introduced budget includes \$500,000 in fiscal year 2013 and \$100,000 in fiscal year 2014 to fund a pilot initiative to attract, recruit, and retain high-quality diverse individuals to teach science, technology, engineering, or mathematics (STEM) subjects in Virginia's middle and high schools.

A new teacher with no teaching experience employed full-time in a Virginia school division who has been issued a five-year Virginia teaching license with an endorsement in mathematics, physics, or technology education and assigned to a teaching position in a corresponding STEM subject area is eligible to receive a \$5,000 initial incentive award after the completion of the first year of teaching with a satisfactory performance evaluation and a signed contract for the following school year. An additional \$1,000 incentive award may be granted for each year the eligible teacher receives a satisfactory evaluation and teaches a STEM subject for up to three years in a Virginia school division.

The maximum incentive award for each eligible teacher is \$8,000. State funding will be awarded on a first-come, first-served basis with preference to teachers assigned to teach in hard-to-staff schools or schools in improvement.

- *Create Governor's Health Sciences Academies*  
The Governor's introduced budget includes \$80,000 in fiscal year 2013 to provide one-time planning and implementation grants to support the establishment of Governor's Health Science Academies. In spring 2012, the Department of Education will solicit competitive proposals for state funding from school divisions in each of the eight superintendents' planning regions. The Department of Education will award eight planning grants of \$5,000 each during the first semester of the 2012-2013 school year to support the program development process. Upon approval by the Board of Education to implement an Academy in the second half of fiscal year 2013, the Department will award eight implementation grants of \$5,000 to each of the approved Academies. These grants are one-time only to assist in the creation of these academies.
- *Preparation Pilot Initiative*  
The Governor's introduced budget includes \$300,000 in fiscal year 2013 and \$400,000 in fiscal year 2014 to establish a comprehensive pilot initiative to recruit students to major in the fields of mathematics and science to help alleviate the shortage of qualified teachers in these fields.

The Department of Education will issue a competitive Request for Proposals at the beginning of fiscal year 2013 targeting Virginia higher education institutions. Institutions submitting proposals must have an elementary education pre-k-6 approved program or middle/secondary approved programs in mathematics and science. The proposals submitted by the institutions of higher education must include a budget for planning costs in the first year. First-year expenses may include personnel costs, curriculum development, meeting and travel costs, etc. State funding

for subsequent years may include personnel costs (faculty and support), tuition incentives, student materials, operational support, etc. The pilot will include one year of planning and student candidates will be expected to complete a baccalaureate degree and licensure requirements in four years. Preference will be given to proposals that prioritize tuition incentives in the budget.

- *Create Pilot Youth Development Academy*

The Governor's introduced budget includes \$67,897 in each year of the biennium to support implementation of a Youth Development Academy pilot program for rising ninth- and tenth-grade students in selected regions of the Commonwealth. All school divisions within the selected pilot regions will have the opportunity to send students to the academy, with a total of approximately 50 slots available. The pilot program will last for a minimum of two weeks in the summer of 2012 and 2013. School divisions in the selected regions will partner with a community organization or other participating divisions to host the academy.

The local applicant selected to conduct a pilot academy, in consultation with the Department of Education, will develop the curriculum and content for the pilot academy to include a focus on civics education, financial literacy, community service, preventive health, character education, and leadership skills. Each of the eight superintendents' planning regions will be invited to apply to host the pilot academy. The Department of Education will make the final determination on which region will implement the pilot academy based on the proposals received.

- *Fund Communities in Schools*

The Governor's introduced budget includes \$1,000,000 in each year of the biennium for Communities in Schools of Virginia (CIS), to support dropout prevention activities. The additional funding will be divided equally between CIS and targeted localities throughout the state with underperforming schools. Each of the targeted localities would receive funding based on an application process and a local/regional matching grant of up to \$100,000 per year would be required. This funding is being partially supported by the transfer of state funding from the Project Discovery allocation, which is being eliminated.

- **Executive Amendment** – HB/SB 30 included funding to support the implementation of one Youth Development Academy for rising ninth- and tenth-grade students. The Governor's executive amendment expands the number of academies to a total of eight, or one academy for each of the eight superintendents' planning regions. Each program will last a minimum of two weeks in the summer of 2012 and 2013, and will be open to a total of approximately 50 slots per academy. Academy sites will be selected based on a competitive application process. The estimated cost to fund these seven additional academies is \$475,279 for fiscal year 2013 and \$475,279 for fiscal year 2014.
- **Senate** – The Senate's proposed budget funds the Math & Science Teacher Recruitment Pilot Initiative and the Governor's Health Sciences Academies, and accepts the Governor's amendment in the introduced budget funding \$67,897 in each year of the biennium for

implementation of a Youth Development Academy pilot program. The Senate did not accept the Governor's executive amendment expanding the funding for a Youth Development Academy in each of the eight superintendents' planning regions. The Senate's proposed budget eliminates the \$300,000 in fiscal year 2013 and \$400,000 in fiscal year 2014 for the Preparation Pilot Initiative from Direct Aid to Public Education and reprograms a portion of the funding to the State Council of Higher Education for Virginia. The Senate's proposed budget also reduces the amount of state funding in the Governor's introduced budget included for Communities in Schools by \$500,000 each year for a total state share of funding of \$500,000 in fiscal year 2013 and fiscal year 2014 for this purpose.

- **House** – The House budget funds the Math & Science Teacher Recruitment Pilot Initiative, the Governor's Health Sciences Academies, and accepts the Governor's executive amendment funding \$475,279 in each year of the biennium to support one Youth Development Academy for each of the eight superintendents' planning regions. The House budget eliminates the \$300,000 in fiscal year 2013 and \$400,000 in fiscal year 2014 for the Preparation Pilot Initiative and also eliminates the \$1,000,000 each year in the Governor's introduced budget included for Communities in Schools.
- ***Final General Assembly Action*** – *Provides \$500,000 in fiscal year 2013 and \$100,000 in fiscal year 2014 to fund the Math & Science Teacher Recruitment Pilot Initiative included in the Governor's introduced budget. Provides \$80,000 in fiscal year 2013 to provide one-time planning and implementation grants to support the establishment of Governor's Health Science Academies included in the Governor's introduced budget. Eliminates the \$300,000 in fiscal year 2013 and \$400,000 in fiscal year 2014 for the Preparation Pilot Initiative. Accepts the Governor's amendment in the introduced budget funding \$67,897 in each year of the biennium for implementation of a Youth Development Academy pilot program; however, the General Assembly funded the Governor's executive amendment expanding the funding for a Youth Development Academy in each of the eight superintendents' planning regions in fiscal year 2014 only. In addition, the final General Assembly budget reduced the additional funding requested in the Governor's introduced budget for Communities in Schools of Virginia from \$1,000,000 to \$350,000 in each year of the biennium.*

### **Textbook Funding**

- **Governor** – The Governor's introduced budget proposes several actions that affect programs that are funded by Lottery proceeds (please see paragraphs labeled "Update Lottery Proceeds," "Transfer the Remedial Summer School Program from the Lottery Service Area to the Standards of Quality Service Area," "Virginia Preschool Initiative (VPI)," "Eliminate Funding for Mentoring in Hard-to-Staff Schools," and "Increase Funding for Race to GED" above for further details on these updates. After all actions, the portion of Textbooks payments that will be funded by Lottery proceeds increases by \$8.9 million in fiscal year 2013 and \$5.3 million in fiscal year 2014, compared to the portion of Textbooks payments funded by Lottery proceeds in Chapter 890. This fund source change does not impact the projected payment amounts to divisions for textbooks.

- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget. In a separate action, detailed above in the section entitled “Remove Non-personal Inflation Funding for the 2012-2014 Biennium,” the House’s proposed budget restores non-personal inflation in fiscal years 2013 and 2014 based on January 2012 recognized inflation rates. As part of the proposed restoration of funding for non-personal inflation, the funded Textbooks per pupil amount is also increased from \$89.73 in the Governor’s introduced budget to \$93.31 in fiscal years 2013 and 2014 based on the recognized inflation factors.
- **Final General Assembly Action** – Same as Governor’s introduced budget.

### **3. Direct Aid Budget Policy Changes Not Included in HB 1301**

#### **Increase Early Reading Intervention Funding for Eligible Third Graders**

- **Executive Amendment** – Funding for the Early Reading Intervention program in HB/SB 30 was based on funding twenty-five percent of eligible third graders for fiscal year 2013 and fiscal year 2014. The Governor’s executive amendment proposes funding 100 percent of eligible third graders in each fiscal year. Funding 100 percent of eligible third graders increases the state share of Early Reading Intervention program funding by \$4.1 million in both fiscal year 2013 and fiscal year 2014.
- **Senate** – Accepts the Governor’s executive amendment.
- **House** – The House proposes funding 62.5 percent of eligible third graders in fiscal year 2013 and 100 percent of eligible third graders in fiscal year 2014. These actions increase the state share of Early Reading Intervention program funding by \$2.1 million in fiscal year 2013 and \$4.1 million in fiscal year 2014.
- **Final General Assembly Action** – Accepts the House amendment.

#### **Career and Technical Education Equipment**

- **Senate** – The Senate’s proposed budget provides an additional \$2.0 million total in fiscal year 2013 only for Career and Technical Education equipment reimbursements to school divisions. The total fiscal year 2013 state funding increases from \$1.8 million to \$3.8 million.
- **House** – No action was taken.
- **Final General Assembly Action** – No action taken.

### **Performance Pay Initiative**

- **Senate** – The Senate’s proposed budget includes \$1,050,000 in fiscal year 2013 only to fund the 2011-2012 Performance Pay Initiative since the pilot grant awards will not be disbursed until fiscal year 2013 due to the availability of performance measures data used in the local evaluation models.
- **House** – No action was taken.
- ***Final General Assembly Action*** – *Accepts the Senate amendment.*

### **Governor’s Schools**

- **Senate** – The Senate’s proposed budget includes \$100,000 in fiscal year 2013 for planning for or studying the feasibility of expanding Governor’s schools, or merging existing Governor’s schools, in order to provide full-day, grade 9 through 12 programs at these schools. The Senate also provides \$100,000 in fiscal year 2014 as one-time start-up funding for such expansions of existing Governor’s schools. In addition, the Senate’s proposed budget provides \$100,000 in fiscal year 2013 for planning for a full-day, grades 9 through 12, regional science and technology Governor's school in the greater Hampton Roads area. The Senate’s proposed budget also increases the funded enrollment cap on Governor's schools by 50 students, from 1,650 students to 1,700 students in fiscal year 2014. The only Governor’s school affected by this action is the Thomas Jefferson High School for Science and Technology, which has a projected enrollment of 1,872 students for the 2011-12 school year. This action increases the state share of the Governor’s school funding by \$73,402 in fiscal year 2014.
- **House** – No action was taken.
- ***Final General Assembly Action*** – *Accepts the Senate amendment.*

### **Career and Technical Education Resource Center**

- **Senate** – The Senate’s proposed budget provides an additional \$75,000 in fiscal year 2013 and \$150,000 in fiscal year 2014 to the Career and Technical Education (CTE) Resource Center.
- **House** – No action was taken.
- ***Final General Assembly Action*** – *Provides an additional \$50,000 in fiscal year 2013 and fiscal year 2014 to the CTE Resource Center.*

### Virginia STAR Program

- **Senate** – The Senate’s proposed budget provides an additional \$425,000 in each fiscal year to the Virginia Student Training and Refurbishment program (Virginia STAR). The Virginia STAR program, administered by Prince William County, is a collaborative effort between the Secretary of Education, the Secretary of Technology, the Department of Education, and the Department of General Services to provide public education students with surplus information technology hardware from state agencies or private entities that can be refurbished or repaired for further use, and also enables these students to seek information technology repair certification.
- **House** – No action was taken.
- **Final General Assembly Action** – *Accepts the Senate amendment in the first year by providing an additional \$425,000 in fiscal year 2013 only to the Virginia STAR program.*

### College Readiness Center Pilot

- **Senate** – The Senate’s proposed budget provides \$175,000 in fiscal year 2013 and \$325,000 in fiscal year 2014 for a pilot program in one public local school division for a College Readiness Center. The Center would provide an extended school calendar in grades six through eight for selected students. The goal of the program would be to increase the number of students who attain a college degree without the need for remedial services at the college level.
- **House** – No action was taken.
- **Final General Assembly Action** – *Accepts the Senate amendment in the first year by providing an additional \$175,000 in fiscal year 2013 only for a pilot program in one school division for a College Readiness Center.*

### EpiPen Grants

- **Senate** – No action was taken.
- **House** – The House budget provides \$200,000 in fiscal year 2013 to provide grants to school divisions for the purchase of EpiPens.
- **Final General Assembly Action** – *Accepts the House amendment. Grant allocations will be based on approximately \$100 per school for all public schools, including district centers and regional programs, in fiscal year 2013. No local match is required to receive the state funds.*

### **Louisa County Assistance**

- **Senate** – The Senate’s proposed budget provides assistance for Louisa County Public Schools in the amount of \$1.0 million in fiscal year 2013. This funding relates to the cost of damages from the August 2011 earthquake impacting Louisa County.
- **House** – The House’s proposed budget provides assistance for Louisa County Public Schools in the amount of \$2.0 million in fiscal year 2013. This funding is designated to the Department of Emergency Management and would be paid to Louisa County for reconstruction of Louisa County High School due to damage of this facility resulting from the August 2011 earthquake impacting Louisa County.
- **Final General Assembly Action** – *Accepts the House amendment. (This funding is contained in the Department of Emergency Management budget, not Direct Aid.)*

### **Additional Assistance with Retirement, Inflation, and Preschool Costs**

- **Final General Assembly Action** – *Provides \$55,000,000 in each fiscal year in one-time allocations for additional assistance to school divisions to support increased VRS employer contribution rates, non-personal inflation costs, and one-time costs associated with Virginia Preschool Initiative programs. The allocated amounts are based on the proposed retirement rates included in the Governor’s budget, the reduction in the Governor’s budget based on not funding inflation, and the reduction in Virginia Preschool Initiative program costs based on the funding methodology changes included in the Governor’s introduced budget. The allocated amounts were based on weighting of 20 percent for the costs of retirement contribution rates, 65 percent for the reduction based on not funding inflation costs, and 15 percent based on the Virginia Preschool Initiative program reductions as calculated in the Governor’s introduced budget. School divisions may decide how much to allocate to each of the three purposes (VRS, non-personal expenditures, and/or Virginia Preschool Initiative). No local match is required to receive the additional state funds.*

## **4. Language-Only Amendments for Direct Aid Programs Included in HB 1301**

### **Modify School Division Consolidation Language for Fifteen Year Composite Index Hold Harmless**

- **Governor** – The Governor’s introduced budget proposes to clarify existing language regarding the consolidation of school divisions and the related composite index hold harmless provision. Currently, Chapter 890 provides for a fifteen year composite index hold harmless only when local governments consolidate and a five year composite index hold harmless when two or more school divisions consolidate. The Governor’s proposal would also provide for a fifteen year composite index hold harmless when two or more school divisions consolidate, regardless of whether or not it was the result of local government consolidation.



- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as the Governor’s introduced budget and includes additional language clarifying that school division consolidations resulting from local government consolidations involving a transition from city to town status provides for the fifteen year composite index hold harmless provision.
- *Final General Assembly Action* – *Accepts the House amendment.*

### **Add Instructional Spending to School Performance Report Card**

- **Governor** – The Governor’s introduced budget includes new language requiring the Department of Education to include in the annual School Performance Report Card for school divisions the percentage of each division’s annual operating budget allocated to instructional costs. In doing so, the Department of Education must establish a methodology for allocating each school division’s expenditures to instructional and non-instructional costs in a manner that is consistent with the funding of the Standards of Quality as approved by the General Assembly.

Furthermore, at the discretion of the Superintendent of Public Instruction, the Department of Education may report on other methods of measuring instructional spending such as those used by the U.S. Census Bureau and the U.S. Department of Education.

- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- *Final General Assembly Action* – *Same as Governor’s introduced budget.*

## **5. Language-Only Amendments for Direct Aid Programs Not Included in HB 1301**

### **Virtual School Program Funding**

- **Senate** – No action was taken.
- **House** – The House proposes language setting out a funding methodology for full-time virtual school programs. The following language is included in the House’s amended budget:

“23. Virtual School Program Funding

a. Effective July 1, 2013, any school division that offers a full-time virtual school program may require students residing within the school division who choose to enroll on a full-time

basis in a virtual school program to enroll in such program offered by the school division. For any student who enrolls on a full-time basis in a virtual school program within his school division of residence, the resident school division shall receive state funding for such student on the same basis as any other student in the school division, and such student shall be included in the required local effort of the resident school division based on March 31 average daily membership.

b. Effective July 1, 2013, any student who resides in a school division that does not offer a full-time virtual school program pursuant to Sections 22.1-212.23 and 22.1-212.24, Code of Virginia, may choose to enroll on a full-time basis in any virtual school program served by an approved multidivision online provider in the Commonwealth. The state and local share of Standards of Quality funding for any such student shall be provided to the enrolling school division, as follows:

- 1) The state share of Standards of Quality per pupil funding provided shall be based on the composite index of the resident school division and shall include the resident school division's per child share of state sales tax funding in basic aid.
- 2) The local share of Standards of Quality per pupil funding transferred from the resident school division to the enrolling school division shall be 76 percent of the local share per pupil based on the composite index of the resident school division.
- 3) If the total state and local share of Standards of Quality per pupil funding provided to the enrolling school division pursuant to paragraphs b. 1) and b. 2) exceeds the actual per pupil cost of the virtual school program in which the student enrolls, only the local share per pupil funding transferred from the resident school division to the enrolling school division pursuant to paragraph b. 1) shall be reduced in addressing any such excess funding.

c. Any student who enrolls on a full-time basis in a virtual school program served by a multidivision online provider outside his school division of residence pursuant to paragraph b. shall not be counted in the March 31 average daily membership or fall membership of the resident school division. Required local effort for such students shall be satisfied by the local per pupil share that is transferred from the resident school division to the enrolling school division pursuant to paragraphs b. 2) and b. 3).

d. The state and local share of Standards of Quality per pupil funding of the resident school division shall be provided for eligible students pursuant to paragraph b. based on their March 31 average daily membership counted in the enrolling school division. The fall membership for such students shall also be counted in the enrolling school division but shall not be used to generate any funding for such students.

e. The Department of Education shall pay the state share of Standards of Quality per pupil funding directly to the enrolling school division on a semimonthly basis. Such state share per pupil funding shall be based on the Standards of Quality per pupil funding enacted in the current appropriation act. The division superintendent of the enrolling school division shall certify on a quarterly basis each school year the number of students enrolled from outside the school division in its multidivision online provider virtual school program and the legal residence of such enrolled students. Based upon such quarterly certification, the enrolling

school division shall invoice the affected resident school divisions on a quarterly basis in order for a one-quarter portion of the local share per pupil amount authorized in paragraphs b. 2) and b. 3) to be transferred from the resident school division to the enrolling school division. The resident school division shall transfer the certified quarterly local share per pupil payment to the enrolling school division within 30 calendar days of the receipt of the quarterly invoice from the enrolling school division. Such quarterly local share per pupil funding shall be based on the Standards of Quality per pupil funding enacted in the current appropriation act and pursuant to the restriction in paragraph b. 3). The quarterly local share per pupil amount transferred shall be prorated for the portion of the quarter that a student was not enrolled in the virtual school program served by a multidivision online provider outside his school division of residence.

f. Any student who intends to enroll on a full-time basis in a virtual school program served by a multidivision online provider outside his school division of residence for the 2013-2014 school year must notify the school division of residence of his intent to do so by November 15, 2012, and any student who intends to enroll on a full-time basis in a virtual school program served by a multidivision online provider outside his school division of residence for the 2014-2015 school year must notify the school division of residence of his intent to do so by November 15, 2013, in order to be eligible to have the state and local share of Standards of Quality per pupil funding of the resident school division provided to the enrolling school division in the aforementioned school years. Beyond the 2014-2015 school year, any student who intends to enroll on a full-time basis in a virtual school program served by a multidivision online provider outside his school division of residence for the next school year must notify the school division of residence of his intent to do so by April 15 each year, in order to be eligible to have the state and local share of Standards of Quality per pupil funding of the resident school division provided to the enrolling school division for that school year.

g. Any student who is enrolled on a full-time basis in a virtual school program, whether within or outside the school division of residence, shall have his enrollment excluded from the biennial calculation of instructional position costs of the Standards of Quality in budgeting for each state biennial budget. Any student who enrolls on a full-time basis in a virtual school program served by a multidivision online provider outside his school division of residence shall be enrolled in a school in the enrolling school division and such school shall be responsible for any federal and state accountability requirements applicable to such student.”

- ***Final General Assembly Action*** – *No action taken.*

### **Online Learning Data Collection**

- **Senate** – The Senate’s proposed budget includes language requesting that each division superintendent submit to the Department of Education a brief description of the range of online learning opportunities currently underway in the school division and any being

planned or under consideration in the future, if applicable. This data collection is due by August 15, 2012.

- **House** – No action was taken.
- ***Final General Assembly Action** – Accepts the Senate amendment.*

### **School Opening Date Waivers**

- **Senate** – The Senate’s proposed budget includes language that extends existing school opening date waivers by an additional year. School divisions who were granted a waiver for the opening date of the 2011-2012 school year will continue to be granted a school opening date waiver for the 2012-2013 school year.
- **House** – No action was taken.
- ***Final General Assembly Action** – Accepts the Senate amendment.*

### **School Age Population Estimate**

- ***Final General Assembly Action** – Clarifying language was added to set out which school age population estimate will be used for each fiscal year for the distribution of state sales tax revenues to school divisions. The Weldon Cooper Center for Public Service estimate of school age population based on July 1, 2010, will be the basis for distributing state sales tax revenues in fiscal year 2013. For fiscal year 2014, the Weldon Cooper Center for Public Service estimate of school age population based on July 1, 2011, will be the basis for distributing state sales tax revenues.*

## **B. DEPARTMENT OF EDUCATION CENTRAL OFFICE**

### **1. Central Office Policy Changes Impacting School Divisions Included in HB 1301**

#### **Performance Evaluation Training**

- **Governor** – The Governor’s introduced budget provides \$277,000 in state funding in fiscal year 2013 and \$138,500 in fiscal year 2014 to support training sessions in each of the eight superintendents’ regions on implementing new performance evaluation models for teachers and principals.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.

- ***Final General Assembly Action*** – Same as Governor’s introduced budget.

### **Innovative Education Technical Advisory Group**

- **Governor** – The Governor’s introduced budget includes \$100,812 in each year of the biennium to establish an Innovative Education Technical Advisory Group to review and give guidance to potential applicants during the planning process for charter schools, college partnership laboratory schools, and virtual school programs. The advisory group would consist of expert consultants who would provide applicants, the Department of Education, and the Board of Education feedback on the extent to which the applications meet approval criteria.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – Same as Governor’s introduced budget.

### **Increase Academic Review Funding**

- **Governor** – The Governor’s introduced budget provides \$499,777 in state funding in fiscal year 2013 for academic reviews due to an increase in the anticipated number of schools that are not fully accredited due to the implementation of more rigorous Standards of Learning assessments in mathematics and increasing graduation and completion index benchmarks impacting high schools.
- **Senate** – Same as Governor’s introduced budget.
- **House** – Same as Governor’s introduced budget.
- ***Final General Assembly Action*** – Same as Governor’s introduced budget.

### **School Efficiency Review Program**

- **Senate** – No action taken.
- **House** – The House’s proposed budget strikes language authorizing the Board of Education to work with the Department of Planning and Budget to participate in the school efficiency review program. A separate action in the House’s proposed budget proposes eliminating funding in the Department of Planning and Budget for the school efficiency review program.

- ***Final General Assembly Action*** – *Continues the school efficiency review program at a reduced funding level, and the local share of the cost of the school efficiency reviews is increased from 37.5 percent to 50.0 percent.*

## **2. Central Office Policy Changes Impacting School Divisions Not Included in HB 1301**

### **Information Technology Academy**

- **Executive Amendment** – The Governor’s proposed amendment provides \$1,500,000 in fiscal year 2013 and fiscal year 2014 to provide ongoing program support for the Information Technology Academy. The Academy curriculum will prepare participating students to pass industry certification exams, and the curriculum will be made available to students and teachers in over 30 targeted career and technical education courses. Additionally, the funding will support the costs of a statewide licensure agreement to provide the industry certification exams. Funding will also support teacher industry certification.
- **Senate** – No action was taken.
- **House** – Same as Governor’s executive amendment.
- ***Final General Assembly Action*** – *Accepts the Governor’s executive amendment.*

### **Digital Content and Support Services**

- **Senate** – The Senate’s proposed budget includes \$500,000 in each fiscal year for statewide digital content and support services. All digital content developed shall conform to state standards and be cross-referenced to the Standards of Learning. Division superintendents shall appoint representatives from the school divisions to assist in selecting the digital content, teacher training, support services that advance technology integration into the K-12 classroom, and additional materials that shall be made available to school divisions statewide. The Department of Education shall require by contract that all digital content and curriculum materials meet or exceed applicable Standards of Learning.
- **House** – No action was taken.
- ***Final General Assembly Action*** – *Accepts the Senate amendment.*

### **Virginia Science, Technology, Engineering, Applied Mathematics (STEAM) Academy Feasibility Study**

- **Senate** – No action was taken.
- **House** – The House’s proposed budget provides \$200,000 in fiscal year 2013 to fund a feasibility plan for establishing the Virginia Science, Technology, Engineering, Applied

Mathematics (STEAM) Academy. The Virginia STEAM Academy would be a residential facility designed to foster the educational development of high school students who are academically talented in the areas of science, technology, engineering and applied mathematics.

- ***Final General Assembly Action** – Accepts the House amendment but moved the fiscal year 2013 state funding from the Central Office to the Direct Aid budget.*