

**Summary of Budget Amendments Adopted by the 2013 General Assembly to the 2012-2014 Biennial Budget as Introduced (HB 1500/SB 800) Affecting the Direct Aid to Public Education, Department of Education Central Office, and Secretary of Education Budgets**

This document provides a summary of amendments to the 2012-2014 biennial budget (HB 1500/SB 800) that were adopted by the 2013 General Assembly on February 23, 2013. The amendments proposed by the General Assembly change the budget introduced by Governor McDonnell in HB 1500/SB 800 and amended by the Senate and House of Delegates separately on February 7, 2013. The adopted changes affect fiscal years 2013 and 2014. Fiscal year 2013 began 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 proposed by Governor McDonnell in HB 1500/SB 800 were communicated in [Attachment A to Superintendent's Memorandum No. 336-12](#) dated December 17, 2012. The amendments proposed by the Senate and the House of Delegates were communicated in [Attachment A to Superintendent's Memorandum No. 034-13](#) dated February 7, 2013. The original text of these attachments is repeated in this document for reference purposes. The subsequent budget actions adopted by the 2013 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, scheduled for April 3, 2013. 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 is organized into the following five sections:

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

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB 1500/SB 800 as Introduced
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**Section B: Department of Education Central Office Budget**

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

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**Section C: Secretary of Education Budget**

**Section D: Department of Human Resource Management Budget**

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**SECTION A: 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**

Projections of unadjusted and adjusted average daily membership (ADM) for fiscal years 2013 and 2014 are revised for each school division based on the latest actual ADM and fall membership data available. Projected ADM was originally forecast by the Department of Education based on actual data through September 30, 2011, fall membership. The most recent projections contained in the Governor's introduced budget amendments have been revised based on actual March 31, 2012, ADM and September 30, 2012, fall membership.

On a statewide basis, the revised unadjusted ADM projections are 1,183 students lower in fiscal year 2013 and 1,290 students lower in fiscal year 2014 than the original projections contained in Chapter 3 (as communicated in [Superintendent's Memorandum No. 134-12](#), dated May 18, 2012). The ADM-based payments for fiscal years 2013 and 2014 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 2013 and re-projected fall membership in fiscal year 2014. The ADM and fall membership updates result in an estimated decrease in Direct Aid payments on a statewide basis of \$8.3 million in fiscal year 2013 and \$10.9 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 and School-Age Population Estimate**

The Governor's amendments reflect the most recent estimate of sales tax revenue dedicated to public education for fiscal years 2013 and 2014, as calculated by the Department of Taxation. The revised estimate of sales tax revenues includes both the one percent portion and the one-eighth percent portion that are appropriated for distribution to school divisions based on school-

age population. The projected sales tax payments contained in [Attachment B of Superintendent's Memo #336-12](#) and in the Excel calculation file reflect the revised estimates for these two sales tax sources, which are shown in [Attachment B of Superintendent's Memo #336-12](#) 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 \$1,211.6 million for fiscal year 2013 and \$1,257.5 million for fiscal year 2014. These revised sales tax estimates are approximately \$9.1 million higher in fiscal year 2013 and \$8.4 million higher in fiscal year 2014 than the projections contained in Chapter 3. 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 \$5.1 million in fiscal year 2013 and \$4.7 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 \$4.0 million in fiscal year 2013 and an increase of \$4.7 million in fiscal year 2014.

The Governor's amendments also reflect the updated Weldon Cooper Center population estimate used to distribute the sales tax revenue for fiscal year 2014 only. The school-age population estimates are updated by the Weldon Cooper Center annually for the purpose of distributing sales tax revenues to school divisions on a budgeted and actual basis. July 1, 2011, school-age population estimates will be used to distribute fiscal year 2014 sales tax revenues. The fiscal year 2014 sales tax distribution was amended to reflect the July 1, 2011, estimate. The fiscal year 2013 school-age population estimate remains the same as in Chapter 3, and continues to use the July 1, 2010, estimate to distribute sales tax revenue in fiscal year 2013. This action does not change the total amount of sales tax distributed to divisions, just the distribution to individual divisions.

- **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 Lottery Revenue Estimate**

The Governor's amended budget increases the Lottery proceeds estimate by \$35.2 million to \$492.5 million in fiscal year 2013, as compared to the projection contained in Chapter 3. This increase reflects a carry-over balance from fiscal year 2012. The Governor's amended budget maintains the estimate of \$462 million for fiscal year 2014, as contained in Chapter 3.

- **Executive Amendment** – The Governor's executive amendment increases the Lottery proceeds estimate by an additional \$7.0 million to \$499.5 million in fiscal year 2013, as compared to the projection in HB 1500/SB 800 as introduced. The additional funding is used to supplant a portion of general fund support for the Remedial Summer School program.

This fund source change does not impact the projected payment amount to divisions in fiscal year 2013 for Remedial Summer School.

- **Senate** – Same as Governor's introduced budget, and accepts the Governor's executive amendment. In addition, the Senate adds language specifying that any increases to the estimated Lottery proceeds beyond the amounts listed in the appropriation act shall be allocated for educational purposes.
- **House** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- **Final General Assembly Action** – *Same as Governor's introduced budget, and accepts the Governor's executive amendment.*

### **Technical Updates to SOQ, Incentive, Categorical, and Lottery-funded Accounts**

Various technical adjustments have been made to SOQ, incentive, categorical, and Lottery-funded accounts to reflect the latest information on special education enrollment, PALS assessment data, and actual and updated projected participation in programs. State funding is reduced by approximately \$12.7 million in fiscal year 2013 and \$5.1 million in fiscal year 2014 based on these technical updates. Additional information regarding these adjustments is discussed in more detail in the following paragraphs.

- *SOQ Technical Updates*

In addition to the SOQ updates based on ADM and Fall Membership mentioned above in the paragraph entitled "Update Average Daily Membership (ADM) and Fall Membership," the Governor's amended budget includes updates to the Remedial Summer School program in fiscal year 2013 and fiscal year 2014. Funding for the Remedial Summer School program is reduced by \$522,470 in fiscal year 2013, and is increased by \$242,665 in fiscal year 2014, based on actual participation in the Remedial Summer School program in 2012.

- *Incentive Technical Updates*

The Governor's amended budget includes technical updates to the Governor's School and VPSA Technology grants accounts. Funding for the Governor's School program is reduced by \$294,026 in fiscal year 2013 and \$186,745 in fiscal year 2014, based on actual enrollment in fiscal year 2013. VPSA Technology grants were updated for schools reporting fall membership for fiscal year 2013, and were also updated for those schools qualifying for supplemental grants based on their accreditation status.

- *Categorical Technical Updates*

The Governor's amended budget recognizes savings to categorical accounts of \$702,105 in fiscal year 2013 and \$373,460 in fiscal year 2014 based on actual program participation. Funding for the Special Education Homebound program is reduced by \$183,100 in fiscal year 2013 and \$126,719 in fiscal year 2014 based on the actual state's share of local program costs in fiscal year 2013. Funding for the Special Education Jails Program account is reduced by \$277,963 in fiscal year 2013 and \$246,741 in fiscal year

2014 based on actual payments for fiscal year 2012 and updated program plans for fiscal year 2013. Funding for the Special Education State Operated Programs account is reduced by \$241,042 in fiscal year 2013 based on actual payments for fiscal year 2012 and updated program plans for fiscal year 2013. The division distribution of state funds for the School Lunch program account for fiscal year 2013 and fiscal year 2014 was updated to reflect fiscal year 2012 actual payments; the total state funding for this program remains the same as in Chapter 3, only the distribution was updated.

○ *Lottery Technical Updates*

The Governor's amended budget includes technical updates based on actual participation and revised estimates to the following Lottery-funded accounts: Virginia Preschool Initiative, English as a Second Language, Special Education – Regional Tuition, Alternative Education, SOL Algebra Readiness, Textbooks, K-3 Primary Class Size Reduction, Early Reading Intervention, School Breakfast, and Foster Care. These actions for fiscal years 2013 and 2014 result in savings in Lottery funding that is used to supplant general fund support for other programs.

- **Senate** – Same as Governor's introduced budget. The Senate also updates the division distribution of state funds for the School Lunch program for fiscal year 2013 and fiscal year 2014 to reflect fiscal year 2013 lunch reimbursement payments based on actual fiscal year 2012 participation. This represents a technical update to the division distributions only and does not impact total state funding for the School Lunch program. Additionally, the Senate provides \$362,257 for a technical update to the School Breakfast program for fiscal year 2013, based on actual School Breakfast participation during the 2011-2012 school year. The Senate also provides \$67,835 for a technical update to the Virginia Preschool Initiative program for fiscal year 2013, based on actual Virginia Preschool Initiative program participation during the 2012-2013 school year.
- **House** – Same as Governor's introduced budget. The House also updates the division distribution of state funds for the School Lunch program for fiscal year 2013 and fiscal year 2014 to reflect fiscal year 2013 lunch reimbursement payments based on actual fiscal year 2012 participation. This represents a technical update to the division distributions only and does not impact total state funding for the School Lunch program.
- ***Final General Assembly Action*** – *Same as Governor's introduced budget. In addition to the technical updates included in the Governor's introduced budget, the General Assembly updates the division distribution of state funds for the School Lunch program for fiscal year 2013 and fiscal year 2014 to reflect fiscal year 2013 lunch reimbursement payments based on actual fiscal year 2012 participation. The General Assembly provides \$67,835 for a technical update to the Virginia Preschool Initiative program for fiscal year 2013 based on actual Virginia Preschool Initiative program participation during the 2012-2013 school year. The General Assembly also reduces the Remedial Summer School program by \$58,489 based on actual program participation in fiscal year 2013 and provides \$362,257 for a technical update to the School Breakfast program based on actual program participation during the 2011-2012 school year.*

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

The Governor's amended budget updates funding for bonuses provided by the state to classroom teachers who are certified by the National Board of Professional Teaching Standards. This update is based on the actual number of teachers eligible to receive the bonus payments in fiscal year 2013, resulting in a decrease of \$85,000 in fiscal year 2013 and an increase in fiscal year 2014 of \$125,000. The increase in fiscal year 2014 is based on the additional teachers achieving a National Board Certification in fiscal year 2013. The fiscal year 2013 initial certification bonuses will be paid 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 Bedford County's Fiscal Year 2014 Local Composite Index Based on the Reversion of Bedford City to Town Status**

Effective July 1, 2013, Bedford City will revert to town status, which will result in the consolidation of Bedford City and Bedford County and, consequently, the consolidation of their respective school divisions. Pursuant to Chapter 3, 2012 Special Session I Acts of Assembly (Item 139, Paragraph A.4.c.1), the consolidated Bedford County school division is entitled to state payments based on the lower of the composite indices for the two separate school divisions for a period of fifteen years. For fiscal year 2014, the use of Bedford City's lower composite index for the consolidated school division results in an increase in state funds to Bedford County of approximately \$6.2 million.

- **Senate** – The Senate's proposed budget reduces the state funds provided to Bedford County as a result of the use of Bedford City's lower composite index based on the reversion of Bedford City to town status. The use of Bedford City's composite index for Bedford County is maintained for fiscal year 2014; however, the state's share of Basic Aid funding to Bedford County in fiscal year 2014 is reduced by \$540,000. Further, the Senate directs the Bedford County school division to undergo a school efficiency review.

In addition, the Senate proposes that the composite index incentive for local government and school division consolidations be based on a blended composite index no lower than the lowest nor higher than the highest index, rather than the lower of the indices for the two separate school divisions, and changes the period of time for granting the use of a blended composite index to a period of no less than five years, but no more than fifteen years. The Senate's proposed budget further directs the Joint Legislative Audit and Review Commission (JLARC) to review and make recommendations regarding the most effective cost of incentives relative to the resulting savings and operational benefits for local government and school division consolidations, as well as the best structure for state incentives regarding consolidation efforts. The JLARC report is due by October 1, 2013.

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

- ***Final General Assembly Action*** – *The General Assembly modifies the parameters of the composite index upon which state funding for school divisions that consolidate is based. For school divisions that consolidate pursuant to the appropriation act (Item 139, Paragraph A.4.c.1), the composite index will be between the highest and the lowest composite index for the school divisions involved in the consolidation, for a period of no less than five years but no greater than fifteen years. However, Bedford County/City and Alleghany/Clifton Forge are grandfathered under the previous language provisions contained in Chapter 3, 2012 Special Session I Acts of Assembly. The additional state funding included in the introduced budget for fiscal year 2014 for the Bedford City reversion is not changed. The General Assembly further directs the Joint Legislative Audit and Review Commission (JLARC) to review and make recommendations regarding the most effective cost of incentives relative to the resulting savings and operational benefits for local government and school division consolidations, as well as the best structure for state incentives regarding consolidation efforts. The JLARC report is due by October 1, 2014. Finally, the Bedford County school division is directed by the General Assembly to undergo a School Efficiency Review, with particular areas of the review specified in the adopted budget language.*

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

### **Fund the State's Share of a Two Percent Salary Increase for All Funded SOQ Instructional Positions in Fiscal Year 2014**

The Governor's amended budget proposes funding the state's share of a two percent salary increase for all funded SOQ instructional positions in fiscal year 2014, effective July 1, 2013. The state's share of the cost to fund this salary increase is approximately \$58.7 million in fiscal year 2014. Funded SOQ instructional positions based on the SOQ staffing standards include teachers, principals, assistant principals, guidance counselors, librarians, and instructional aides. This funding is contingent on passage of the Teaching Excellence Act, as proposed by the Governor and submitted to the 2013 Session of the General Assembly for approval. This Act will reform areas such as teacher probationary status and the relationship between performance evaluations and contracts, and streamline the grievance process. (Note: The Teaching Excellence Act is expected to be renamed the Educator Fairness Act upon introduction in January 2013.)

These compensation supplement funds are intended to be incentive funds, and would not be included as part of required local effort; however, in order to receive the state funds, a local match would have to be provided based on the composite index of local ability to pay. The local match certification will be collected on the Department's annual Required Local Effort and Required Local Match data collection.

State funds would be paid to school divisions that certify to the Department of Education that equivalent salary increases have been granted locally in fiscal year 2014. School divisions are permitted to begin local salary increases after July 1. The table below provides the equivalent salary increases for local start dates subsequent to the July 1 start date for the state-funded increase. Please note that the equivalent salary increases are based on a twelve-month year.

Local Salary Increase Start Date for the Instructional Position Increase	Required Equivalent Percentage Salary Increase in Fiscal Year 2014 ( <i>Governor's Introduced Budget and Senate Amendment</i> )	Required Percentage Salary Increase in Fiscal Year 2014 ( <i>House Amendment</i> )	Required Percentage Salary Increase in Fiscal Year 2014 ( <i>Final General Assembly Action – Applies to Both SOQ Instructional and Support Positions</i> )
July 1, 2013	2.00	2.00	2.00
August 1, 2013	2.18	2.00	2.00
September 1, 2013	2.40	2.00	2.00
October 1, 2013	2.67	2.00	2.00
November 1, 2013	3.00	2.00	2.00
December 1, 2013	3.43	2.00	2.00
January 1, 2014	4.00	2.00	2.00

- Executive Amendment** –The Governor’s executive amendment adds a revenue contingency to the funding proposed for a 2.0 percent salary increase for instructional staff on July 1, 2013, similar to the contingency already in place for the 2.0 percent salary increase for state employees in fiscal year 2014. This amendment proposes that the salary increase occur if the general fund revenue estimates prepared subsequent to the 2012 General Assembly session do not result in downward revisions and, if within five days of the preliminary close of fiscal year 2013, the Comptroller’s analysis does not determine that a revenue re-forecast is required.
- Senate** – Same as Governor’s introduced budget, but the Senate also provides flexibility to school divisions to offer salary increases from 1.0 percent to 2.0 percent. School divisions would be required to certify to the Department of Education, no later than June 15, 2013, the percentage salary increase they will provide in fiscal year 2014. State funding would be provided at the same rate of the salary increases provided by school divisions.

The Senate also specifies that the salary increases provided in fiscal year 2014 as part of the Virginia Retirement System member contribution increases would not satisfy the eligibility requirements to receive the state funding for salary increases. In addition, the Senate’s amendment requires school divisions to provide an annual user-friendly statement of total compensation for their employees (please see paragraph below titled “Fund the State’s Share of a Two Percent Salary Increase for All Funded SOQ Support Positions” for further details).

The table above provides the equivalent salary increases for local start dates of the instructional position salary increase subsequent to the July 1 start date for fiscal year 2014. Please note that the equivalent salary increases are based on a twelve-month year.

- House** – Accepts the Governor’s executive amendment and expands it to include salary increases for funded SOQ support positions (please see paragraph below titled “Fund the

State's Share of a Two Percent Salary Increase for All Funded SOQ Support Positions" for further details). In addition, the House changes the effective date of the funded salary increase for SOQ instructional positions from July 1, 2013, to August 1, 2013. This change in the effective date decreases state funding by approximately \$5.0 million in fiscal year 2014 compared to the Governor's introduced budget.

In addition, the local match requirement will be based on the value of school divisions providing a 2.0 percent pay increase for funded instructional positions by at least January 1, 2014. School divisions will be allowed to give a 2.0 percent pay increase by January 1, 2014 (equivalent to 6 months of local funding), and will still receive the state's share of a 2.0 percent increase based on August 1, 2013 (equivalent to 11 months of state funding). The House also specifies that the salary increases provided in fiscal year 2014 as part of the Virginia Retirement System member contribution increases would not satisfy the eligibility requirements to receive the state funding for salary increases.

The table above provides the required salary increase for local start dates of the instructional position salary increase in fiscal year 2014. Please note that the intent of the House amendment is for school divisions to provide a minimum 2.0 percent pay increase for instructional positions, regardless of the chosen start date for the increase, but no later than January 1, 2014.

**Please note:** [Attachment A to Superintendent's Memorandum No. 034-13](#) and the Excel calculation template for the House of Delegates' amendments were updated and reposted on February 11<sup>th</sup> to clarify requirements related to the House's proposed salary increases for funded SOQ instructional and support positions in fiscal year 2014. The state funding and required local match amounts for the House salary increase shown in the revised Excel calculation template for each division have not changed from the file posted on February 7<sup>th</sup>; only explanatory information has been updated in the Excel file to clarify the intent of the House salary increase amendments.

The House's intent for its proposed salary increases is that school divisions must provide a minimum 2.0 percent salary increase for instructional and support positions, regardless of the chosen effective date, but no later than January 1, 2014. Local salary increases provided during the fiscal year equivalent to a 2.0 percent increase effective January 1, 2014 (such as a 1.0 percent increase effective July 1, 2013), would not qualify as the required salary increase under the House proposal. The intent of the House proposal is to ensure a minimum 2.0 percent salary increase is implemented for school division instructional and support staff by January 1, 2014.

As previously indicated, the House's proposed budget provides state funding for the instructional salary increase based on an effective date of August 1, 2013 (equivalent to 11 months of state funding), while the local match requirement is based on an effective date of January 1, 2014 (equivalent to 6 months of local funding).

- ***Final General Assembly Action*** – *Accepts the Governor's executive amendment related to the revenue contingency and expands the salary increase to include both SOQ instructional and support positions. The General Assembly changes the effective date of the funded salary*

*increase for SOQ instructional positions from July 1, 2013, to August 1, 2013, and also provides a 2.0 percent salary increase for SOQ support positions, effective August 1, 2013. This change in the effective date for the salary increase for SOQ instructional positions and the inclusion of a salary increase for SOQ support positions increases state funding by approximately \$11.6 million in fiscal year 2014 compared to the Governor's introduced budget.*

*The General Assembly's budget provides state funding for the SOQ instructional and support positions salary increases based on an effective date of August 1, 2013 (equivalent to 11 months of state funding), while the local match requirement is based on an effective date of January 1, 2014 (equivalent to 6 months of local match funding). School divisions will be required to certify to the Department of Education, no later than June 15, 2013, that a minimum 2.0 percent salary increase is implemented for school division instructional and support staff by January 1, 2014.*

*Additionally, any salary increases provided in fiscal year 2014 as part of the Virginia Retirement System member contribution increases will not satisfy the eligibility requirements to receive the state funding for salary increases. The General Assembly's budget requires school divisions to provide an annual user-friendly statement of total compensation for their employees (please see paragraph below titled "Fund the State's Share of a Two Percent Salary Increase for All Funded SOQ Support Positions" for further details).*

*The table above provides the required salary increase for local start dates of the SOQ instructional and support position salary increases in fiscal year 2014. Please note that the intent of the General Assembly is for school divisions to provide a minimum 2.0 percent pay increase for instructional and support positions, regardless of the chosen start date for the increase, but no later than January 1, 2014.*

### **Implement the Strategic Compensation Grants Initiative**

The Governor's amended budget provides \$15 million in fiscal year 2014 to support the implementation of the Strategic Compensation Grants (SCG) Initiative. The SCG Initiative is intended to award competitive grants to school divisions that design and implement compensation systems for teachers that provide incentives based on each participating school division's strategic goals and objectives. The budget language on this proposed program contained in the Governor's amended budget is provided below:

#### *37. Strategic Compensation Grants Initiative*

*a. Out of this appropriation, \$15,000,000 the second year from the general fund is provided to support implementation of the Strategic Compensation Grants (SCG) Initiative. This program will award competitive grants to school divisions for the design and implementation of compensation systems for teachers that provide incentives that are tailored to each participating school division's strategic goals and objectives.*

*b. Any locality which desires to apply for this grant program must submit a proposal to the Department of Education by July 15, 2013. The proposal must designate the groups or types*

*of teachers targeted for incentives in the compensation system. Incentives may focus on all teachers where quantitative student achievement data are available or specific groups of teachers within a division or school. These proposals may include, but are not limited to, the following incentives: 1) rewarding teachers who help students make significant academic progress; 2) rewarding teachers who seek opportunities to assist in the leadership needs of the school division, such as serving as instructional coaches or professional developers; 3) providing pay incentives for effective teachers with needed expertise who are willing to transfer to hard-to-staff or low-performing schools; 4) providing incentives for team performance in schools that achieve student learning goals; or 5) rewarding effective teachers who are assigned to teach critical shortage areas, such as mathematics and special education.*

*c. In order to be eligible to receive a strategic compensation grant, a school division's proposal must meet the following criteria: 1) stakeholder involvement in the development and implementation of the strategic compensation model at the school division; 2) teachers in the initiative must be evaluated using an effective evaluation system with quality measure systems, consistent with the Board of Education's evaluation standards and criteria, including a weight of 40 percent on student academic progress for the summative evaluation; 3) a significant component of the model for awarding incentives must include measureable and appropriate achievement goals for student academic progress; and 4) professional development must be an integral component of the model, including how a teacher will be supported to develop a school culture of teaching and learning, to improve instruction, and to increase student achievement. The Department of Education may also consider the geographic distribution of school divisions and the percentage of students attending hard-to-staff schools in making the competitive grant awards.*

*d. In order to be eligible to receive an award from the incentive program administered by the local school division and supported by the state SCG initiative, a teacher must meet the following eligibility criteria as well as other requirements established by the school division to receive incentives: 1) the teacher must be licensed to teach in Virginia and endorsed in the subject or grade level of the assignment; 2) in the case of federal core areas, the teacher must be highly qualified; 3) the teacher must be employed under a teacher contract (substitute teachers, hourly employees, or teacher aides are not eligible for an award); 4) the teacher must be employed by the local school board and provide or support direct instruction; and 5) the teacher receiving the award must be rated as successful, which shall be defined as "proficient or above" in performance evaluation ratings.*

*e. Any incentive for teachers included in a compensation system developed and implemented by a local school division must meet the following criteria: 1) designate incentive payments as a range or tiers for target groups, such as differentiating between the teacher of record or teachers in support positions; 2) have a maximum payment to a teacher of \$5,000 per year; 3) prorate payments for teachers who have taught for less than a full school year; and 4) performance evaluations for participating teachers must be completed in a timeline that provides sufficient time to distribute incentive funds to teachers and submit reimbursement requests to the Department of Education no later than June 1, 2014.*

- **Senate** – Same as the Governor's introduced budget but reduces state funding for the Strategic Compensation Grants Initiative to \$3.0 million in fiscal year 2014.
- **House** – Same as the Governor's introduced budget but reduces state funding for the Strategic Compensation Grants Initiative to \$7.5 million in fiscal year 2014.
- **Final General Assembly Action** – *Same as the Governor's introduced budget but reduces state funding for the Strategic Compensation Grants Initiative to \$5.5 million in fiscal year 2014.*

**Remove the Cost of Competing Adjustment (COCA) from the Support Position Portion of State SOQ Basic Aid Funding in Fiscal Year 2014**

The Governor's amended budget eliminates the cost of competing adjustment (COCA) factors 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 year 2014. Chapter 3, 2012 Special Session I Acts of Assembly, provides the state's share of funding for a support COCA rate of 9.83 percent for SOQ funded support positions in Planning District Eight school divisions and a phased-in rate of 2.46 percent for certain adjacent divisions. The Governor's amended budget proposes the elimination of state funding for both the full and phased-in COCA factors for SOQ funded support positions in fiscal year 2014. This action results in a decrease in state funding of \$12.2 million in fiscal year 2014.

- **Senate** – The Senate's proposed budget restores (back to the Chapter 3 rates) the COCA factors for funded SOQ Basic Aid support positions for school divisions in Planning District Eight and certain adjacent divisions in fiscal year 2014. The Senate proposes a support COCA rate of 9.83 percent in Planning District Eight school divisions and a phased-in rate of 2.46 percent for the counties of Stafford, Fauquier, and Culpeper. This action results in an increase in state funding of \$12.6 million in fiscal year 2014 as compared to the Governor's introduced budget.
- **House** – The House's proposed budget restores approximately half (of the Chapter 3 rates) of the COCA factors 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 year 2014. The House proposes a support COCA rate of 4.55 percent in Planning District Eight school divisions and a phased-in rate of 1.14 percent for certain adjacent divisions. This action results in an increase in state funding of \$6.1 million in fiscal year 2014 as compared to the Governor's introduced budget.
- **Final General Assembly Action** – *The General Assembly restores approximately seventy-five percent (of the Chapter 3 rates) of the COCA factors 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 year 2014. The General Assembly proposes a support COCA rate of 6.98 percent for the nine divisions in Planning District Eight and a phased-in rate of 1.75 percent for nine certain adjacent divisions (the counties of Clarke, Culpeper, Fauquier, Frederick, Spotsylvania, Stafford and Warren, and the cities of*

*Fredericksburg and Winchester*). This action results in an increase in state funding of \$9.4 million in fiscal year 2014 as compared to the Governor's introduced budget.

### **Provide Funding to Support the Board of Education's Recommended Staffing Standard for Blind or Visually Impaired Students**

The Governor's amended budget provides \$4.9 million in fiscal year 2014 to fund the state's share of the Board of Education's recommended staffing standard for students who are blind or visually impaired. The Board's staffing recommendation as well as the Governor's funding methodology for blind or visually impaired students is based on the following:

- Level I, Resource teachers – 24 students to one teacher;
- Level II, self-contained with an aide, 10 students to one teacher;
- Level II, self-contained without an aide, eight students to one teacher; or,
- Level II, self-contained, student weight of 2.5.

This amendment is a funding standard only, not a mandated staffing standard, which would require enacting a specific mandated staffing standard in the SOQ, the appropriation act, or Board of Education regulations.

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

### **Provide Funding for a Targeted Reading Specialists Initiative**

The Governor's amended budget proposes an additional \$1.4 million in fiscal year 2014 for the state's share of one reading specialist per elementary school that scored below 75 percent on the third grade reading Standards of Learning test. School divisions receiving these funds are required to match the funding based on their composite index of local ability to pay.

- **Executive Amendment** –The Governor's amendment provides additional language regarding state funds that will be provided in fiscal year 2014 to support reading specialists for any school that has a schoolwide pass rate of less than 75 percent on the third grade reading Standards of Learning (SOL) assessments. Payments would be based on the state's share of the cost of providing one reading specialist per qualifying school based on the 2011-2012 SOL pass rates for reading and would be available to any school division with a qualifying school that (1) certifies to the Department of Education that the division has hired a reading specialist to provide the appropriate services to children and (2) applies and receives a waiver for up to two years from the Board of Education for the administration of third grade SOL assessments in science and history and social science for the purpose of creating additional instructional time for reading specialists to work with students reading below grade level to improve reading achievement.

- **Senate** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- **House** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *Same as Governor's introduced budget, and accepts the Governor's executive amendment. The adopted budget language further specifies that eligible schools are those with a third grade and that have a school-wide pass rate of less than 75 percent on the reading Standards of Learning (SOL) assessments.*

### **Revise Methodology in Fiscal Year 2014 for Calculating Early Intervention Reading Third Grade Funding**

The Governor's amended budget proposes updating the methodology used to calculate the state's share of fiscal year 2014 funding for the Early Intervention Reading Initiative, for third grade only. The number of eligible students is currently based on the percentage of students needing services as determined by the Phonological Awareness Literacy Screening (PALS) diagnostic. This percentage is calculated by dividing the number of students identified as needing intervention by the number students tested. The Governor's amended budget proposes changing this percentage to be the total number of third-grade students identified as needing intervention as determined by PALS divided by total third grade fall membership, consistent with grades kindergarten through two. The methodology for funding kindergarten through second grade remains unchanged. State funding is reduced by \$425,331 in fiscal year 2014 based on this methodology change.

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

### **Expand the Effective Schoolwide Discipline Initiative**

The Governor's amended budget provides \$341,040 in fiscal year 2014 for the Effective Schoolwide Discipline Initiative, which provides models for schools that have significant rates of suspension or expulsion to reduce disruptive classroom behavior. Funding is provided for 58 schools with high suspension/expulsion rates to implement or expand the initiative. Associated funding to develop this initiative and provide for statewide training is proposed in the Department of Education Central Office budget; please see the paragraph below titled "Develop an Effective Schoolwide Discipline System" for further details.

- **Executive Amendment** – The Governor's executive amendment modifies budget language to provide additional details regarding the implementation of the Effective Schoolwide Discipline Initiative in fiscal year 2014. School divisions must submit a proposal defining student outcome objectives to the Department of Education. Priority for grant awards must be

given to school divisions proposing to serve schools identified by the Department as having high suspension rates. School divisions currently implementing Effective Schoolwide Discipline in one or more schools are eligible to apply for grants to support program expansion to additional schools; however, no funds awarded to a school division under this grant may be used to supplant funding for schools already implementing the program.

- **Senate** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- **House** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *Same as Governor's introduced budget, and accepts the Governor's executive amendment.*

### **Increase Funding for the Math and Science Teacher Recruitment and Retention Pilot Initiative**

The Governor's amended budget provides an additional \$708,000 in fiscal year 2014 for the Math and Science Teacher Recruitment and Retention Pilot Initiative. This increase is being supported by the transfer of state funding from the existing Virginia Teaching Scholarship Loan Program and eliminating that program effective with fiscal year 2014.

- **Executive Amendment** –The Governor's executive amendment expands for fiscal year 2014 the pool of teachers eligible to receive incentives under the Math and Science Teacher Recruitment and Retention Pilot Initiative to include teachers with up to three years of experience in grade- and subject-specific science, technology, engineering, or mathematics education. Specifically, this would include teachers with an endorsement in Middle Education 6-8: Mathematics, Mathematics-Algebra I, Middle Education 6-8: Science, Biology, Chemistry, Earth and Space Science, Physics, or Technology education. This amendment would also include under the incentive qualified teachers in the above endorsement areas who are assigned to a teaching position in a corresponding STEM subject area regardless of teaching experience and who are reassigned from a fully accredited school in a school division to a hard-to-staff school or a school that is not fully accredited.
- **Senate** – The Senate proposes to fund the Math and Science Teacher Recruitment and Retention Pilot Initiative at \$500,000 in both fiscal year 2013 and 2014. This action would reduce the funding for this program by \$308,000 in fiscal year 2014, as compared to the Governor's introduced budget. The Senate did not accept the Governor's executive amendment.

Additionally, the Senate's proposed budget restores state funding in fiscal year 2014 that was transferred from the Virginia Teaching Scholarship Loan Program to support the Math and Science Teacher Recruitment and Retention Pilot Initiative in the Governor's introduced budget. Please see the paragraph below titled "Restore Funding for the Virginia Teaching Scholarship Loan Program and Update Program Eligibility" for further details.

- **House** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *Same as Governor's introduced budget and accepts the Governor's executive amendment. The General Assembly's budget also restores funding for the Virginia Teaching Scholarship Loan Program (please see the paragraph below titled "Restore Funding for the Virginia Teaching Scholarship Loan Program and Update Program Eligibility" for further details).*

### **Increase Path to Industry Certification Funding**

The Governor's amended budget provides \$266,331 in additional funding in fiscal year 2014 for the Path to Industry Certification program. The additional funding is provided to partially offset the increases in costs of credentialing exams and the number of students taking the examinations.

- **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 Charter School Supplement**

The Governor's amended budget includes an additional \$100,000 to support supplemental grants to charter schools 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.*

### **Develop a Summer Regional Governor's Program for Entrepreneurship**

The Governor's amended budget provides \$210,000 to establish summer regional Governor's Schools for Entrepreneurship in fiscal year 2014. The Department of Education will partner with regional collaborations of school divisions to offer two-week summer regional programs that provide Virginia middle school students with the opportunity to solve problems through product innovation and to explore entrepreneurship in a global market. The curriculum will focus on entrepreneurship, globalization, team building, design thinking, project management, product design, and leadership within a culturally diverse environment.

- **Senate** – The Senate's proposed budget removes the funding of \$210,000 in fiscal year 2014 recommended by the Governor.

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

### **Increase Literary Fund Transfer**

The Governor's amended budget increases the transfer from the Literary Fund to support the state's share of cost for teacher retirement by \$9.0 million in fiscal year 2013, from \$131.1 million to \$140.1 million. The increased transfer amount in fiscal year 2013 will be supplanted by a corresponding state general fund decrease of \$9.0 million in fiscal year 2013. These changes do not affect division per pupil amounts or projected payments for VRS retirement in fiscal year 2013.

- **Executive Amendment** – The Governor's executive amendment increases the transfer from the Literary Fund to support the state's share of cost for teacher retirement by \$374,018 in fiscal year 2014. This amount will be supplanted by a corresponding state general fund decrease of \$374,018 in fiscal year 2014. This fund source change does not affect division per pupil amounts or projected payments for VRS retirement in fiscal year 2014.
- **Senate** – Same as Governor's introduced budget, and accepts the Governor's executive amendment. The Senate's proposed budget also further increases the Literary Fund transfer for the state share of teacher retirement by an additional \$6.1 million in fiscal year 2014. This fund source change does not affect division per pupil amounts or projected payments for VRS retirement in fiscal year 2014.
- **House** – Same as Governor's introduced budget, and accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *Same as the Senate amendment.*

### **Textbook Fund Source**

The Governor's introduced budget includes several proposed actions that affect multiple programs funded by Lottery proceeds. Details for these actions are provided in the paragraphs above. After all actions, the portion of Textbooks payments that will be funded by Lottery proceeds increases by \$46.3 million in fiscal year 2013 and \$4.4 million in fiscal year 2014, compared to the portion of Textbooks payments funded by Lottery proceeds in Chapter 3. This fund source change does not impact the projected payment amounts to divisions for textbooks.

- **Senate** – Same as Governor's introduced budget. In addition, due to the increased Lottery proceeds forecast for fiscal year 2013 proposed by executive amendment and described above in the paragraph titled "Update Lottery Revenue Estimate", the Senate's budget assigns all of the funding for Textbooks payments in fiscal year 2013 to be supported by Lottery proceeds. This action does not impact the projected payment amounts to divisions for textbooks.

- **House** – Same as Governor's introduced budget. In addition, due to the increased Lottery proceeds forecast for fiscal year 2013 proposed by executive amendment and described above in the paragraph titled "Update Lottery Revenue Estimate", the House's budget assigns all of the funding for Textbooks payments in fiscal year 2013 to be supported by Lottery proceeds. This action does not impact the projected payment amounts to divisions for textbooks.
- *Final General Assembly Action* – Same as the House and Senate amendments.

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

#### **Capture Savings from Performance Pay Pilot Initiative**

- **Executive Amendment** – The Governor's executive amendment captures anticipated savings of \$452,327 in the Performance Pay Pilot Initiative based on final awards to qualifying teachers in fiscal year 2013.
- **Senate** – Accepts the Governor's executive amendment.
- **House** – Accepts the Governor's executive amendment.
- *Final General Assembly Action* – Accepts the Governor's executive amendment.

#### **Redirect VPSA Technology Supplemental Grant Funds to Support Virginia e-Learning Backpack Initiative**

- **Executive Amendment** – The Virginia e-Learning Backpack Initiative would reprogram existing funding for the Virginia Public School Authority (VPSA) Technology supplemental grants in fiscal year 2014 that provide \$26,000 each year for three years to eligible schools that are not fully accredited. In lieu of these supplemental grants, funding is provided to purchase tablet computers for ninth grade students in eligible high schools that are not fully accredited. High schools that administer SOL tests in Spring 2013 and that are not fully accredited based on school accreditation ratings in effect for fiscal year 2014 will qualify to participate in the Virginia e-Learning Backpack Initiative in fiscal year 2014 and receive: (1) a supplemental grant of \$400 per student reported in ninth grade fall membership in a qualifying school for the purchase of a tablet computer device for that student and (2) a supplemental grant of \$2,400 per qualifying school to purchase two content creation packages for teachers in qualifying schools.

Schools eligible to receive a Virginia e-Learning Backpack Initiative grant in fiscal year 2014 will continue to receive the grant for the number of subsequent years equaling the number of grades 9 through 12 in the qualifying school, up to a maximum of four years (to support schoolwide implementation). Schools eligible to receive these grants for a period of

up to four years beginning in fiscal year 2014 will not be eligible to receive a separate award in the future once the original award period has concluded. Schools that are fully accredited or that are new schools with conditional accreditation in their first year are not eligible to receive this supplemental grant. Please note there is no change to the existing \$26,000 grant per school and \$50,000 grant per division that support SOL online testing.

- **Senate** – No action taken.
- **House** – Accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *No action taken.*

### **School Opening Date Waivers**

- **Executive Amendment** – The Governor's executive amendment includes language that extends existing school opening date waivers by an additional year to the 2013-2014 school year. School divisions that 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 and the 2013-2014 school year.
- **Senate** – Accepts the Governor's executive amendment.
- **House** – Accepts the Governor's executive amendment.
- ***Final General Assembly Action*** – *Accepts the Governor's executive amendment.*

### **Fund the State's Share of a Two Percent Salary Increase for All Funded SOQ Support Positions**

- **Senate** – The Senate proposes funding the state's share of a two percent salary increase for all funded SOQ support positions in fiscal year 2014, effective July 1, 2013. The state's share of the cost to fund this salary increase is approximately \$18.2 million in fiscal year 2014.

The Senate also provides flexibility to school divisions to offer salary increases from 1.0 percent to 2.0 percent. School divisions would be required to certify to the Department of Education, no later than June 15, 2013, the percentage salary increase they will provide in fiscal year 2014. State funding would be provided in proportion to the salary increases provided by local school divisions. The Senate also specifies that the salary increases provided in fiscal year 2014 as part of the Virginia Retirement System member contribution increases would not satisfy the eligibility requirements to receive the state funding for salary increases.

The table below provides the equivalent salary increases for local start dates of the support position salary increase subsequent to the July 1 start date for fiscal year 2014. Please note that the equivalent salary increases are based on a twelve-month year.

- **House** – The House proposes funding the state’s share of a two percent salary increase for all funded SOQ support positions in fiscal year 2014, effective January 1, 2014. The state’s share of the cost to fund this salary increase is approximately \$9.1 million in fiscal year 2014. School divisions must certify to the Department of Education that at least a 2.0 percent salary increase has been provided for support positions by January 1, 2014. The House also specifies that the salary increases provided in fiscal year 2014 as part of the Virginia Retirement System member contribution increases would not satisfy the eligibility requirements to receive the state funding for salary increases.

The table below provides the required salary increase for local start dates of the support position salary increase in fiscal year 2014. Please note that the intent of the House amendment is for school divisions to provide a minimum 2.0 percent pay increase for support positions, regardless of the chosen start date for the increase, but no later than January 1, 2014.

Local Salary Increase Start Date for the Support Position Increase	Required Equivalent Percentage Salary Increase in Fiscal Year 2014 ( <i>Governor’s Introduced Budget and Senate Amendment</i> )	Required Percentage Salary Increase in Fiscal Year 2014 ( <i>House Amendment</i> )	Required Percentage Salary Increase in Fiscal Year 2014 ( <i>Final General Assembly Action – Applies to Both SOQ Instructional and Support Positions</i> )
July 1, 2013	2.00	2.00	2.00
August 1, 2013	2.18	2.00	2.00
September 1, 2013	2.40	2.00	2.00
October 1, 2013	2.67	2.00	2.00
November 1, 2013	3.00	2.00	2.00
December 1, 2013	3.43	2.00	2.00
January 1, 2014	4.00	2.00	2.00

- **Final General Assembly Action** – Please see the paragraph above titled “Fund the State’s Share of a Two Percent Salary Increase for All Funded SOQ Instructional Positions in Fiscal Year 2014” for final details about the salary increases for SOQ instructional as well as SOQ support positions.

**Provide School Security Equipment Competitive Grants and Debt Service Funding**

- **Senate** – No action was taken.

- **House** – The House's proposed budget directs the Virginia Public School Authority (VPSA) to administer a security equipment grant program, in conjunction with the VPSA Education Technology notes program, to include the issuance of approximately \$6.0 million of equipment notes in fiscal years 2013 and 2014. \$30.0 million in notes are authorized to be issued over five years to fund the grants. Proceeds from these notes will be used to help offset the related costs associated with the purchase of appropriate security equipment that will improve and help ensure the safety of students attending public schools in Virginia. The House's proposed budget includes \$1.3 million in fiscal year 2014 from the general fund to supplant a like amount of Literary Fund revenue to provide debt service payments for equipment notes issued in fiscal year 2013 for this program.

Grant awards from the issuance of the equipment notes will be awarded to school divisions on a competitive basis, up to \$100,000 per school division. School divisions would be required to match no more than twenty-five percent of the grant award provided. Divisions are permitted to apply annually for grant funding, and must submit an application to the Department of Education by August 1 each year.

- **Final General Assembly Action** – *Same as the House amendment, but adds language authorizing a sum sufficient general fund appropriation to cover annual debt service if Literary Fund monies are not sufficient and requires VPSA to provide an annual estimate of debt service costs for the program for inclusion in the Governor's budget submission each year.*

### **Year-Round Schools and College Readiness Center Pilot**

- **Senate** – The Senate's proposed budget provides \$825,000 in fiscal year 2014 to fund planning grants of up to \$100,000 for school divisions pursuing the creation of year-round school programs. School divisions would be required to submit their applications to the Department of Education by August 1, 2013, which must include evidence of commitment to pursue implementation in the 2014-15 school year. School divisions with existing extended school year programs would be eligible to apply for any balances that exist from the funds provided. In addition, the Senate's proposed budget provides an additional \$175,000 in fiscal year 2014 for a College Readiness Center pilot program for an extended school calendar middle school program.
- **House** – No action taken.
- **Final General Assembly Action** – *The General Assembly's budget provides \$412,500 in fiscal year 2014 to fund planning grants of up to \$50,000 for school divisions pursuing the creation of year-round school programs. School divisions would be required to submit their applications to the Department of Education by August 1, 2013, which must include evidence of commitment to pursue implementation in the 2014-15 school year. School divisions with existing extended school year programs would be eligible to apply for any balances that exist from the funds provided. In addition, the General Assembly's budget provides an additional*

*\$87,500 in fiscal year 2014 for second year funding of a College Readiness Center pilot program for an extended school calendar middle school program.*

### **Restore Funding for Project Discovery**

- **Senate** – The Senate's proposed budget provides an additional \$650,000 for Project Discovery in fiscal year 2014, bringing the total appropriation for Project Discovery in fiscal year 2014 to \$1.0 million.
- **House** – No action taken.
- **Final General Assembly Action** – *The General Assembly's budget includes an additional \$75,000 for Project Discovery in fiscal year 2014, bringing the total appropriation for Project Discovery in fiscal year 2014 to \$425,000.*

### **Provide Funding for the Development of a STEM Model Program**

- **Senate** – The Senate's proposed budget provides \$259,000 in fiscal year 2014 to support the development of a STEM model program for pre-kindergarten and kindergarten students. The funding is designated for the Accomack Department of Social Services, Fairfax County Public Schools, Loudoun County Public Schools, and the Smart Beginnings program serving the Hopewell/Petersburg area.
- **House** – No action taken.
- **Final General Assembly Action** – *The General Assembly's budget provides \$129,500 in fiscal year 2014 to support the development of a STEM model program through the arts for pre-kindergarten and kindergarten students. The funding is designated for Fairfax County Public Schools and Loudoun County Public Schools.*

### **Increase the Enrollment Cap for Governor's Schools**

- **Senate** – The Senate's proposed budget increases the funded enrollment cap on Governor's Schools by 50 students, from 1,700 students to 1,750 students in fiscal year 2014. This amendment impacts the funding for the Thomas Jefferson High School for Science and Technology, which has a projected enrollment of 1,844 students for the 2013-14 school year. This action increases the state share of the Governor's School funding by \$73,982 in fiscal year 2014.
- **House** – No action was taken.
- **Final General Assembly Action** – *The General Assembly's budget increases the funded enrollment cap on Governor's Schools by 25 students in fiscal year 2014, from 1,700 students to 1,725 students. This amendment impacts the funding for the Thomas Jefferson High School*

*for Science and Technology, which has a projected enrollment of 1,844 students for the 2013-14 school year. This action increases the state share of Governor's School funding by \$36,998 in fiscal year 2014.*

### **Restore Funding for the Virginia Teaching Scholarship Loan Program and Update Program Eligibility**

- **Senate** – The Senate's proposed budget provides \$1.0 million in fiscal year 2014 to restore the Virginia Teaching Scholarship Loan Program. In addition, the Senate amends the current eligibility criteria by requiring that second year eligible undergraduate students must have been in the top 10 percent of their high school class. The amount of the scholarship award is also updated from \$3,720 to \$10,000.
- **House** – No action taken.
- **Final General Assembly Action** – *The General Assembly's budget provides \$708,000 in fiscal year 2014 to restore the Virginia Teaching Scholarship Loan Program. In addition, the General Assembly amends the current eligibility criteria by requiring that eligible undergraduate students in fiscal year 2014 must have been in the top 10 percent of their high school class. The amount of the scholarship award is also updated from \$3,720 to \$10,000 for fiscal year 2014.*

### **Virginia Student Training and Refurbishment (STAR) Program**

- **Final General Assembly Action** – *The General Assembly's budget provides \$225,000 in fiscal year 2014 for the Virginia STAR Program. 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.*

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

#### **Move September 30 Submission Deadline for National Board Certification Bonus Program to October 15**

The Governor's amended budget proposes moving the submission deadline for the National Board Certification program from September 30 to October 15 in order to allow time for school divisions to determine the eligibility of teachers as of September 30 and then report the data to the Department by October 15.

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

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

### **Clarify K-3 Language to Set Deadline of December 1 for Additional Actions Required to Meet K-3 Program Requirements**

The Governor's amended budget includes new language requiring divisions to complete any additional actions required to meet the K-3 Primary Class Size Reduction program requirements by December 1 annually. These actions include hiring additional K-3 staff (classroom or resource teachers), adjusting the number of students per class within a specific grade, and seeking a waiver from the Superintendent of Public Instruction on the maximum K-3 class size requirement. The Governor's amended budget language is provided below:

*139.C.10.e. School divisions may elect to have eligible schools participate at a higher ratio, or only in a portion of grades kindergarten through three, with a commensurate reduction of state and required local funds, if local conditions do not permit participation at the established ratio and/or maximum individual class size. In the event that a school division requires additional actions to ensure participation at the established ratio and/or maximum individual class size, such actions must be completed by December 1 of the impacted school year. Special education teachers and instructional aides shall not be counted towards meeting these required pupil/teacher ratios in grades kindergarten through three.*

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

### **Modify School Nurse Funding Methodology Beginning with the 2014-2016 Biennium**

The Governor's amended budget includes language directing the Department of Education to change the school nurse funding methodology. Beginning with the 2014-2016 biennium, funding for school nurses would be based on one nurse per school, plus one additional nurse for schools with at least 1,500 students reported in fall membership. The Governor's amended budget also includes language encouraging the Board of Education to consider adopting a staffing standard for school nurses in the Standards of Quality consistent with this funding methodology. In addition, the Governor's proposal eliminates the requirement for school divisions to spend school nurse funds for school nurse positions with the 2014-2016 biennium. No changes were made to school nurse funding for the 2012-2014 biennium.

- **Senate** – Same as Governor's introduced budget.
- **House** – The House's amended budget removes the language regarding the school nurse funding methodology for the 2014-16 biennium included in the Governor's budget as

introduced (i.e., one nurse per 1,500 students, etc.). The House's amended budget provides flexibility in the current biennium to school divisions regarding health services funding provided in Basic Aid. The House's amended budget removes the requirement that school divisions must spend the school nurse funding on licensed school nurses, and that school divisions may allocate the school nurse funds as they deem appropriate.

- ***Final General Assembly Action*** – Same as the House amendment.

### **Eliminate a Portion of the Annual Required Local Effort/Required Local Match Data Collection**

The Governor's amended budget proposes eliminating a portion of the annual "Certification of Adequate Funds Budgeted to Meet Required Local Effort for the Standards of Quality and Local Match Requirements for Certain State Funds" data collection. If adopted, school divisions will no longer be required to submit data indicating whether they have budgeted sufficient local funds to meet required local effort for the Standards of Quality and required local match for any optional match programs in which the division participates. Divisions would still certify participation and program compliance in optional match programs through the Single Sign-on for Web System (SSWS). The Governor's amended budget proposes moving the annual deadline for certifying participation in the optional match programs from October 1 to July 1. School divisions would still be required to meet actual required local effort for Standards of Quality accounts and required local match for any optional programs in which they elect to participate. Actual Required Local Effort and Required Local Match calculations will remain as part of the Annual School Report due annually on September 15 for the prior fiscal year.

- **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 Flexibility for the Virginia Workplace Readiness Skills Assessment**

The Governor's amended budget proposes modifying the Virginia Workplace Readiness Skills Assessment to permit its use for the Path to Industry Certification. School divisions will be granted additional flexibility to use Virginia Workplace Readiness Skills Assessment grant funds for actual readiness skills assessment purposes or for other industry certification preparation or testing purposes to help meet the new standard diploma requirements.

- **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 Proposal Deadline**

The Governor's amended budget proposes moving the annual Virginia Preschool Initiative proposal deadline from May 15 to June 15 each year to provide additional time for the completion of local school division budgets.

- **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 1500/SB 800 as Introduced**

#### **Year-Round Schools**

- **Senate** – No action taken.
- **House** – The House's amended budget includes language requesting that each division superintendent, by August 30, 2013, submit to the Department of Education a brief description of the school division's interest in the implementation of year-round school to improve the academic performance of at-risk students. The description can include which students would benefit from a year-round school effort and the potential costs of the implementation of a year-round school program. These submissions would be taken into consideration during development of the Direct Aid to Public Education proposed budget for the 2014 General Assembly Session.
- ***Final General Assembly Action** – Same as the House amendment.*

#### **Standards of Quality Staffing Requirement Waivers**

- **Senate** – The Senate's proposed budget specifies that the Board of Education may not grant waivers of the Standards of Quality staffing requirements involving divisionwide or schoolwide pupil-teacher ratios.
- **House** – No action taken.
- ***Final General Assembly Action** – No action taken.*

#### **Early Intervention Services for Reading and Mathematics**

- **Final General Assembly Action** – *The House of Delegates and the Senate both passed bills (HB 2068 and SB 1171) that require early intervention services for reading and mathematics. HB 2068 and SB 1171 require that school divisions provide early reading intervention services for kindergarten through third-grade students who show deficiencies on reading diagnostic tests. Currently, early reading intervention services are only required for third-grade students and the Early Intervention Reading Initiative program is optional, requiring a local match to receive state funds. Early reading intervention services for kindergarten through third grade will be included in the Standards of Quality and will be part of the required local effort determination for school divisions beginning in fiscal year 2014.*

*HB 2068 and SB 1171 also require that school divisions provide algebra readiness intervention services for grades six through nine for students who show deficiencies on mathematic diagnostic tests. Currently, algebra readiness intervention services are optional and require a local match to receive state funds. Algebra readiness intervention services for grades six through nine will be included in the Standards of Quality and will be part of the required local effort determination for school divisions beginning in fiscal year 2014.*

## **SECTION B: DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET**

### **1. Central Office Policy Changes Impacting School Divisions Included in HB 1500/SB 800 as Introduced**

#### **Establish the Opportunity Educational Institution**

The Governor's amended budget provides an additional \$600,926 in fiscal year 2014 to develop the Opportunity Educational Institution.

- **Executive Amendment** –The Governor's executive amendment provides detail of the Opportunity Educational Institution, as proposed by HB 2096 and SB 1324. Under this legislation, the Institution will provide an appropriate education for children attending any public elementary or secondary school that has been denied accreditation and is, consequently, transferred to the Institution. The amendment language below to the Budget Bill provides detail of the Institution, its purpose, governance, and funding.

#### *Item 134.*

*“C.1. Out of this appropriation, \$600,926 the second year from the general fund is provided to the Department of Education to support implementation of the Opportunity Educational Institution. The Institution shall be established to provide an appropriate education for children attending any public elementary or secondary school that has been transferred to the Institution pursuant to §22.1-27.2, Code of Virginia. The Institution shall be administered and supervised by the Opportunity Educational Institution Board, as established in §22.1-27.1, Code of Virginia. The Board, in administering and supervising the Institution, shall be vested with all of the powers and*

*duties of a local school board that are set forth in the Constitution of Virginia and Code of Virginia.*

*2. Any school that has been denied accreditation for the previous two school years shall be transferred to the Opportunity Educational Institution.*

*3. The Board shall supervise and operate schools in the Opportunity Educational Institution in whatever manner that it determines to be most likely to achieve full accreditation for each school in the Institution, including the utilization of charter schools and college partnership laboratory schools.*

*4. Each school transferred to the Opportunity Educational Institution shall be eligible to return to the local school division upon achieving full accreditation.*

*5. At the end of each school year, the Board shall make a report to the Governor and the General Assembly setting forth the status of each school in the Institution, the nature of its faculty and administration, the size of its student body, its organizational and management structure, and the levels of improvement in student academic performance.*

*6. No later than six months prior to the expiration of a school's fifth year in the Institution, the Board shall decide whether to retain the school in the Institution for a specified number of additional school years or transfer the school back to its previous local school division.*

*7. Each student enrolled in a school in the Institution shall have his state and local share of Standards of Quality per pupil funding transferred from the previous local school division of residence to the Institution. The per pupil funding transferred shall consist of (i) the Standards of Quality per pupil amounts of the previous local school division of residence that are distributed on the basis of March 31 average daily membership, (ii) all federal funds as set forth in § 22.1-88 directly associated with any student enrolled in a school in the Institution and apportioned to the previous local school division of residence, and (iii) all funds sufficient for the reasonable special expenses directly related to the individual educational plan of any special education student, which may be assessed from the previous local school division of residence and transferred to the Institution. No other state funds or local share of funds from the local school division of residence shall be provided to the Institution. The state share per pupil portion transferred shall be based on the previous local school division of residence's composite index and shall include the per child share of state sales tax funding in basic aid. The local share per pupil portion transferred shall be based on the previous local school division of residence's composite index.*

*8. Students enrolled in a school transferred to the Institution shall not be counted in the March 31 average daily membership or fall membership of the previous local school division of residence. Such students shall not be counted in the required local effort of the local school division of residence required to meet actual need.*

*9. The state and local share Standards of Quality per pupil funding transferred from the previous local school division of residence shall be provided for eligible students based on their March 31 average daily membership in the school transferred to the Institution. The Department of Education shall pay the state share per pupil funding directly to the Institution semimonthly. Such state share per pupil funding shall be based on the Standards of Quality per pupil funding enacted in the current appropriation act. The Board shall certify on a monthly basis each school year the number of students enrolled in each school in the Institution. Based upon such monthly certification, the Board shall invoice the affected local school divisions of residence on a monthly basis in order for a one-month portion of the local share per pupil amount to be transferred from the local school division of residence to the Institution. The local school division of residence shall transfer the certified monthly local share per pupil payment to the Institution within 30 calendar days of the receipt of the monthly invoice from the Institution. Such monthly local share per pupil funding shall be based on the Standards of Quality per pupil funding enacted in the current appropriation act.”*

- **Senate** – The Senate’s proposed budget removes the \$600,926 in general funds from fiscal year 2014 for the Opportunity Educational Institution. The Senate instead proposes to direct the Joint Legislative Audit and Review Commission (JLARC) to perform a study of the options to restructure the lowest performing schools and school divisions in the state. JLARC’s report is due by November 1, 2013.
- **House** – Same as Governor’s introduced budget, and accepts the Governor’s executive amendment with certain amendments. The House’s proposed budget indicates that, in addition to the transfer of state Standards of Quality per pupil funding, other state direct aid funding, federal funding, and local funding is to be transferred to the Opportunity Educational Institution in support of schools transferred to the Institution. Additionally, the House’s proposed budget specifies that students under the supervision of the Institution shall be included in any applicable enrollment counts of the school division of residence, and are included as part of the required local effort and required local match determinations of the division of residence.
- **Final General Assembly Action** – *Same as the House amendment, but reduces fiscal year 2014 funding to operate the Opportunity Educational Institution from \$600,926 to \$150,000. In addition, in Item 39 of the budget, the General Assembly directs the Joint Legislative Audit and Review Commission (JLARC) to perform a study of the options to restructure the lowest performing schools and school divisions in the state. JLARC’s report is due by June 30, 2014.*

### **Increase Academic Review Funding**

The Governor’s amended budget provides an additional \$500,000 in fiscal year 2014 to support an increase in the number of schools requiring academic reviews during the 2013-2014 academic school year. The academic review process is used to assist schools that are not fully accredited in the development of improvement planning processes to help schools progress toward being fully accredited. Additional funding for the academic review program was included in Chapter 3

for fiscal year 2013 only, and the Governor's amended budget provides the same level of funding for the academic review program 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.*

#### **Develop an Effective Schoolwide Discipline System**

The Governor's amended budget provides \$277,000 in additional funding in fiscal year 2014 to support the development of an effective schoolwide discipline system. This funding will also support statewide training. The additional funding is intended to support the Effective Schoolwide Discipline Initiative, referred to above in the paragraph entitled "Expand the Effective Schoolwide Discipline 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.*

#### **Additional Funding for the Administration of the Early Intervention Reading Initiative Program**

The Governor's amended budget provides an additional \$104,753 in fiscal year 2014 to support the Phonological Awareness Literacy Screening (PALS) diagnostic assessment tool that is used to identify students to be served through the Early Intervention Reading Initiative program. Funding is provided to develop online professional development materials for teachers, contract for professional data management services, and recognize increasing operational costs for the PALS office at the University of Virginia.

- **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 Longitudinal Data System**

The Governor's amended budget provides an additional \$156,060 in fiscal year 2014 to provide additional support for the Virginia Longitudinal Data System (VLDS). The VLDS is a multi-agency initiative designed to provide information on education and work force programs. The VLDS was started with a federal grant, and the additional funding provided is intended to support the ongoing operation of the VLDS by the Department of Education.

- **Senate** – Same as Governor's introduced budget, but requires the Department of Education to submit a six-year plan of the operating costs, improvement, outcomes, or other research projects for the VLDS to the General Assembly by July 15, 2013.
- **House** – The House's proposed budget removes the additional funding of \$156,060 in fiscal year 2014 for the VLDS.
- **Final General Assembly Action** – *Same as Governor's introduced budget, and provides an additional \$120,000 in fiscal year 2014 funding to support the Virginia Longitudinal Data System.*

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

The Governor's amended budget provides an additional \$100,000 in fiscal year 2014 for the Innovative Education Technical Advisory Group. The Innovative Education Technical Advisory Group was developed to assist in the development of charter school, college laboratory school, virtual schools, and other instructional delivery or school governance models in Virginia.

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

#### **Establish the Virginia Center for Excellence in Teaching**

The Governor's amended budget provides \$220,191 in fiscal year 2014 to establish the Virginia Center for Excellence in Teaching, which will offer a series of residential summer professional development academies for teachers. The Governor's amended budget includes the following language:

*"G. Out of this appropriation, \$220,191 the second year from the general fund is provided to establish the Virginia Center for Excellence in Teaching. The Department of Education will solicit competitive proposals for funding from institutions of higher education to create and operate the Center. The Center will offer a series of residential summer professional development academies for exemplary teachers. The curriculum developed for the academies will incorporate national issues, current research, and trends in education aligned with the focus areas of instructional supervision, strategies for school improvement, addressing the learning needs of diverse populations, assessment practices and use of data to drive instructional decision making, grant utilization and partnership opportunities, and community outreach. The Center will incorporate experiential learning through exploration of case studies on educational policy and instructional leadership. To be eligible to attend the Center, teachers must meet the following criteria: 1) hold a teaching license issued by the Virginia Department of Education; 2) have a minimum of 5 years of successful teaching experience; 3) a consistent record of effective instruction; and 4) demonstrated leadership ability. The institution of higher education selected*

*to create and operate the Center will be responsible for the selection of teachers to attend the academies.”*

- **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. Central Office Policy Changes Impacting School Divisions Not Included in HB 1500/SB 800 as Introduced**

### **Local School Division Broadband Connectivity Report**

- **Senate** – No action taken.
- **House** – The House’s amended budget includes a provision that requires the Center for Innovative Technology, in conjunction with the Department of Education, to develop an annual report on the level of broadband connectivity in each school division as well as the level of computer ownership and access to broadband services for secondary education students. Aggregate data from the report would be available on the Commonwealth’s broadband availability map for use in local broadband deployment.
- ***Final General Assembly Action*** – *No action taken.*

### **Postpone Science and History Standards of Learning Tests Until Fifth Grade**

- **Senate** – The Senate’s proposed budget removes \$920,244 in fiscal year 2014 reflecting the savings in assessment costs due to postponing science and history Standards of Learning tests until the fifth grade.
- **House** – No action taken.
- ***Final General Assembly Action*** – *No action taken.*

### **Joint Legislative Audit and Review Commission to Report on Elementary and Secondary School Spending (SJ 328)**

- ***Final General Assembly Action*** – *The House of Delegates and the Senate both passed SJ 328 which directs the Joint Legislative Audit and Review Commission (JLARC) to perform a study of the efficiency and effectiveness of elementary and secondary school spending in Virginia. In addition to studying the efficiency and effectiveness of elementary and*

*secondary school spending, JLARC is to evaluate the findings of the School Efficiency Reviews, to compare Virginia's funding of elementary and secondary education to other states, and identify ways in which the quality of education can be improved in consideration of the funds spent. The Department of Education is directed to provide staff support as needed for JLARC.*

## **SECTION C: SECRETARY OF EDUCATION BUDGET**

### **Develop and Implement a Model for an Integrated School of the Future**

- **Senate** – No action taken.
- **House** – The House's amended budget directs the Secretary of Education, in consultation with the Virginia Community College System and the Board of Education, to coordinate with affected stakeholders to develop and implement a model for an Integrated School of the Future. The focus of the blended model for a school campus would include the infusion of engineering and mathematical principles and the provision of state-of-the-art technology learning opportunities to provide students with the tools to meet the demands of the current workplace.
- **Final General Assembly Action** – *Accepts the House amendment.*

## **SECTION D: DEPARTMENT OF HUMAN RESOURCE MANAGEMENT BUDGET**

### **Study of Adding School Divisions to the State Health Plan**

- **Executive Amendment** – The Governor's executive amendment provides language directing the Department of Human Resource Management (DHRM) to conduct a study that will examine the feasibility of including local school divisions in the state employee health insurance program. School divisions would be given an irrevocable one-time option to be excluded from this program; otherwise, all employees of local school divisions as well as local school division retirees will be enrolled in the plan. If a school division elects to participate, it may not offer any health benefits coverage other than that offered through the state employee health benefits plan. The study shall assume that local school divisions will pay the employer share of premiums, and school division employees will pay the employee share. The proposed amendment also includes language to allow for the execution of the program if the study results in no adverse impact to the state health plan.
- **Senate** – Partially accepts the Governor's executive amendment, but did not include the language to allow for the execution of the program if the study results in no adverse impact to the state health plan. Additionally, the Senate's amendment includes \$100,000 for the Department of Human Resource Management for the actuarial study in fiscal year 2014

- **House** – The House includes \$100,000 in fiscal year 2013 for the Department of Human Resource Management to perform an actuarial review of including local government and local school division employees in the state employee health insurance program.
- ***Final General Assembly Action** – Accepts the House amendment.*

## **SECTION E: DEPARTMENT OF PLANNING AND BUDGET BUDGET**

### **School Efficiency Review Program**

- **Senate** – The Senate's proposed budget provides an additional \$350,000 in fiscal year 2014 for the Department of Planning and Budget to facilitate the performance of additional school efficiency reviews for school divisions requesting the reviews. Additionally, the Senate's proposed budget directs the Department of Planning and Budget to perform a follow-up review on the implementation status of the recommendations of the 2007 school efficiency review of Petersburg City Schools.
- **House** – No action taken.
- ***Final General Assembly Action** – Accepts the Senate amendment, but reduces the additional funding provided for the Department of Planning and Budget to \$225,000 in fiscal year 2014.*