

Summary of Budget Recommendations for the 2014-2016 Biennium Proposed by Governor McAuliffe in HB/SB 5003 and those Adopted by the House of Delegates in HB 5002 Affecting the Direct Aid to Public Education, Department of Education Central Office, and Related Budgets

Two budget bills for the 2014-2016 biennium have been introduced at the 2014 Special Session I of the General Assembly. Both bills incorporate the 2014-2016 budget that was introduced at the 2014 regular session, HB/SB 30, but also contain additional budget recommendations. Governor McAuliffe introduced HB/SB 5003 in the House and Senate. HB 5002 was introduced in the House of Delegates and has been adopted by the full House.

This attachment summarizes the Governor's budget recommendations in HB/SB 5003 and the House's adopted amendments in HB 5002. Since both budget proposals incorporate the budget actions contained in HB/SB 30 as introduced by Governor McDonnell as their starting point, the budget actions in HB/SB 30 (and communicated in [Superintendent's Memorandum No. 327-13](#), dated December 16, 2013) are included for reference purposes as the first entry in each section. Summaries of the additional budget recommendations proposed by Governor McAuliffe in HB/SB 5003 and those adopted by the House of Delegates in HB 5002 are shown next in italicized text.

Information related to the Direct Aid to Public Education and the Department of Education Central Office budget proposals has been organized into the following sections.

Section A. 2014-2016 Direct Aid to Public Education Budget

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB/SB 30
3. Direct Aid Budget Policy Changes Not Included in HB/SB 30
4. Language-Only Amendments for Direct Aid Programs Included in HB/SB 30
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Section B. 2014-2016 Department of Education Central Office Budget

1. Central Office Policy Changes Impacting School Divisions
2. Language-Only Amendments to Central Office Included in HB/SB 30

Section C. 2014-2016 Secretary of Education Budget

Section D. 2014-2016 Opportunity Educational Institution Budget

Section E. Other Agency Budget Amendments Impacting School Divisions

A. 2014-2016 DIRECT AID TO PUBLIC EDUCATION BUDGET

1. Technical Updates to Existing Direct Aid Programs

Rebenchmark Direct Aid Costs for 2014-2016 (as presented to the Board of Education in September 2013)

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget includes the state share of routine rebenchmarking of costs for all of the Standards of Quality and other Direct Aid programs. These technical adjustments include updates for factors such as funded salaries, Annual School Report data used to calculate prevailing costs, Standards of Learning test score updates, enrollment updates, and projected caseloads for categorical programs. The 2014-2016 Board of Education rebenchmarking presentation dated September 26, 2013, provides additional information about the details and source of the data used to make these technical updates. These adjustments reflect the cost of continuing current programs with the required biennial data updates used in the funding formulas, and do not reflect any changes in policy. For fiscal year 2015, routine rebasing of costs for the Standards of Quality and other Direct Aid programs results in an increase in state cost of \$165.5 million. For fiscal year 2016, the increase in state cost is \$185.2 million.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Technical Updates to Direct Aid Accounts for 2014-2016 Subsequent to the Rebenchmarking Budget Presented to the Board of Education in September 2013

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget includes the state share of cost for additional technical updates related to the rebenchmarking process that occurred after the Board of Education presentation in September 2013, due to the timing of data availability. These technical adjustments include updates to factors such as enrollment projections, Standards of Learning test failure rate data, and caseloads for incentive and categorical programs. These adjustments reflect the cost of continuing current programs with the required data updates used in the funding formulas, and do not reflect any changes in policy. These updates increase the state share of cost by \$42.0 million in fiscal year 2015 and \$51.7 million in fiscal year 2016.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30. In addition, the House updates the per pupil amounts used to calculate K-3 Primary Class Size Reduction and Academic Year Governor's School funding for fiscal year 2015 and fiscal year 2016 to reflect technical updates to fringe benefit employer contribution rates, non-personal inflation, and the support Cost of Competing Adjustment. Based on this action, the state share of K-3 Primary Class Size Reduction funding increases by approximately \$2.4 million in each year of the biennium. State funding for Academic Year Governor's Schools decreases by \$129,974 in fiscal year 2015 and \$132,036 in fiscal year 2016.*

- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30 and the House’s adopted amendment.*

Update Fringe Benefit Employer Contribution Rates

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget adopts a higher employer contribution rate for instructional retirement benefits in 2014-2016 than was funded in Chapter 806 for fiscal year 2014 (11.66 percent to 14.50 percent). The rate recommended by the Governor is based on the same actuarial assumptions as the rate recommended by the VRS Board of Trustees. The prevailing non-professional VRS rate has been updated and is funded at 9.40 percent for both years of the biennium. This prevailing rate is used for state funding purposes only; the actual non-professional rate charged by VRS will vary by school division. For the retiree health care credit, the rate proposed for 2014-2016 reflects a rate increase from fiscal year 2014 (1.11 percent to 1.18 percent). For the group life contribution, the rate proposed for 2014-2016 reflects a rate increase from fiscal year 2014 (0.48 percent to 0.53 percent). All fringe benefit rates are proposed to be the same in fiscal years 2015 and 2016. These rate changes increase state funding by \$84.2 million in fiscal year 2015 and \$84.5 million in fiscal year 2016 (compared to costs based on fiscal year 2014 rates).

FUNDED FRINGE BENEFIT RATES:	FY 2014	FY 2015	FY 2016
Instructional & Professional Support VRS (<u>Employer Share</u>) (<i>Does not include RHCC - see below</i>)	11.66%	14.50%	14.50%
Instructional & Professional Support VRS (<u>Employee Share</u>)	5.00%	5.00%	5.00%
Total Instructional & Professional Support VRS Rate	16.66%	19.50%	19.50%
Group Life (<u>Employer Share</u>)	0.48%	0.53%	0.53%
Group Life (<u>Employee Share</u>)	0.71%	0.79%*	0.79%*
Total Group Life Rate	1.19%	1.32%	1.32%
Retiree Health Care Credit (<i>Paid as part of the VRS Instructional retirement per pupil amount</i>)	1.11%	1.18%	1.18%
Non-professional Support VRS	10.23%	9.40%	9.40%
Social Security	7.65%	7.65%	7.65%
Health Care Premium	\$3,778	\$4,188	\$4,188
Total Instructional Benefit Percent (<u>Employer Share</u>)	20.90%	23.86%	23.86%
Total Non-professional Support Benefit Percent (<u>Employer Share</u>)	18.36%	17.58%	17.58%

*Employee share of Group Life has been revised to reflect current data from VRS.

- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Updates for Recalculation of Composite Index for 2014-2016

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The 2014-2016 composite index of local ability-to-pay was calculated using 2011 base-year data provided by the Department of Taxation for adjusted gross income, taxable retail sales, and true value of real property. The estimates of local population for 2011 are provided by the Weldon Cooper

Center for Public Service at the University of Virginia, and the March 31, 2012, average daily membership is based on data reported by school divisions to the Department of Education. Updating Direct Aid accounts based on the recalculated 2014-2016 composite index increases the state share of Direct Aid funding by \$18.3 million in fiscal year 2015 and \$18.5 million in fiscal year 2016.

- ***House of Delegates Adopted HB 5002*** – Same as HB/SB 30. The House also proposes recalculating the 2014-2016 composite index of local ability-to-pay to reflect corrected True Value of Property data recently reported to the Department of Taxation by Charlotte County, Richmond County, and Hampton City. The revised True Value data changes the final composite index values for all school divisions and results in an increase to the state share of Direct Aid funding of \$81,436 in fiscal year 2015 and \$49,789 in fiscal year 2016.
- ***Governor McAuliffe's Introduced HB/SB 5003*** – Same as HB/SB 30 and the House's adopted amendment.

Update Sales Tax Projections

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget reflects the most recent estimates of sales tax revenue dedicated to public education for fiscal years 2015 and 2016, as computed by the Department of Taxation. The revised sales tax estimates include both the one percent portion and the one-eighth percent portion that are appropriated for distribution to school divisions based on school-age population. The projected sales tax entitlement contained in Attachment B and in the Excel calculation file reflects the revised estimates for these two sales tax sources combined as a single revenue line item.

The Department of Taxation's latest estimate, as of December, 2013, of the one percent and one-eighth percent sales tax revenue is \$1,268,100,000 for fiscal year 2015 and \$1,312,500,000 for fiscal year 2016. These revised sales tax estimates are approximately \$10.6 million higher in fiscal year 2015 and \$55.0 million higher in fiscal year 2016 than the fiscal year 2014 estimate contained in Chapter 806. 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 \$5.9 million in fiscal year 2015 and \$30.8 million in fiscal year 2016 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 \$4.7 million in fiscal year 2015 and an increase of \$24.2 million in fiscal year 2016.

- ***House of Delegates Adopted HB 5002*** – Same as HB/SB 30. The House also proposes increasing the sales tax revenue estimates by approximately \$4.9 million to \$1,273,000,000 in fiscal year 2015 and by approximately \$5.5 million to \$1,318,000,000 in fiscal year 2016. The revised estimates reflect the expected impacts of 1) Senate Bill 100, related to satellite

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television equipment; and 2) an adjustment to the expected impact of the “Amazon” sales tax bill.

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 \$2.8 million in fiscal year 2015 and \$3.1 million in fiscal year 2016 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 \$2.1 million in fiscal year 2015 and \$2.4 million in fiscal year 2016.

- **Governor McAuliffe’s Introduced HB/SB 5003** – Same as HB/SB 30. The Governor also proposes increasing the sales tax revenue estimates by approximately \$4.5 million to \$1,272,580,952 in fiscal year 2015 and by approximately \$5.1 million to \$1,317,647,619 in fiscal year 2016. The revised estimates reflect the expected impacts of 1) Senate Bill 100, related to satellite television equipment; and 2) an adjustment to the expected impact of the “Amazon” sales tax bill.

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 \$2.5 million in fiscal year 2015 and \$2.9 million in fiscal year 2016 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 \$2.0 million in fiscal year 2015 and \$2.3 million in fiscal year 2016.

Update Lottery Proceeds

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - Total Lottery proceeds are projected to increase by \$38.0 million to \$500.0 million in fiscal years 2015 and 2016, compared to the fiscal year 2014 Lottery estimate contained in Chapter 806. The total projected Lottery amounts in fiscal years 2015 and 2016 are being used to fund the state share of cost of various programs, such as the Virginia Preschool Initiative, Early Reading Intervention, K-3 Primary Class Size Reduction, and SOL Algebra Readiness. Please see the section labeled “Textbook Funding” below for updates to the Textbooks account.
- **House of Delegates Adopted HB 5002** – Same as HB/SB 30. The House also proposes increasing projected Lottery proceeds by \$10.0 million to \$510.0 million in each year of the biennium, compared to the estimate contained in HB/SB 30. This projected increase reflects an adjustment to the Lottery revenue forecast. Please see the section labeled “Textbook Funding” below for updates to the Textbooks account.
- **Governor McAuliffe’s Introduced HB/SB 5003** – Same as HB/SB 30 and the House’s adopted amendment.

Increase Funding for National Board Certification Bonuses

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget includes an additional \$575,000 in fiscal year 2015 and \$575,000 in fiscal year 2016 for bonuses provided by the state to support the projected number of classroom teachers who are certified by the National Board of Professional Teaching Standards.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Update Pupil Transportation Cost for Radford City Data Revisions

- *House of Delegates Adopted HB 5002 – The House proposes increasing the state share of Basic Aid funding for revised pupil transportation cost data from Radford City Public Schools that were previously unavailable. This action increases the state share of Basic Aid funding by \$278,570 in fiscal year 2015 and \$285,029 in fiscal year 2016.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as the House's adopted amendment.*

2. Direct Aid Budget Policy Changes Included in HB/SB 30

Remove Non-personal Inflation Funding for the 2014-2016 Biennium

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes eliminating funded inflation factors from the non-personal component of Basic Aid for the 2014-2016 biennium. Typically, as part of the biennial rebenchmarking process, the Department of Education updates non-personal inflation factors to adjust base year non-personal expenditures for inflation up to the start of the new biennium. By removing this update from the process, the state share of Basic Aid funding is reduced by \$47.4 million in fiscal year 2015 and \$47.6 million in fiscal year 2016.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

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

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget eliminates the cost of competing adjustment (COCA) factor for funded SOQ Basic Aid support positions for school divisions in Planning District Eight and certain adjacent school divisions (specified in the appropriation act) in fiscal years 2015 and 2016. Chapter 806 provides the state share of funding in fiscal year 2014 for a COCA

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rate of 6.98 percent for SOQ funded support positions for the Planning District Eight school divisions and a partial rate of 1.75 percent for certain adjacent divisions. The Governor's introduced budget proposes the elimination of state funding for both the 6.98 percent and the partial 1.75 percent COCA factors for SOQ funded support positions in fiscal years 2015 and 2016. This action results in a decrease in state funding of \$10.2 million in fiscal year 2015 and \$10.5 million in fiscal year 2016. No changes are proposed to the COCA factors applied to SOQ funded instructional positions.

- ***House of Delegates Adopted HB 5002*** – *The House proposes state funding of approximately \$5.4 million in each year of the biennium to replace half of the support COCA amount that was removed in HB/SB 30. This action increases funding for Planning District Eight school divisions and certain adjacent school divisions that are currently eligible for support COCA funding and does not reduce funding for any other school divisions. The House further stipulates that there is no local match requirement to receive these funds.*
- ***Governor McAuliffe's Introduced HB/SB 5003*** - *In HB/SB 5003, the Governor provides approximately \$5.4 million in fiscal year 2015 to replace half of the support COCA amount that was removed in HB/SB 30. This action increases funding for Planning District Eight school divisions and certain adjacent school divisions that are currently eligible for support COCA funding and does not reduce funding for any other school divisions.*

Literary Fund Support for VRS Retirement

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget decreases the transfer from the Literary Fund to support the state's share of cost for teacher retirement by \$28.1 million, from \$136.0 million to \$107.9 million, in fiscal year 2015 compared to the fiscal year 2014 transfer amount designated in Chapter 806. In fiscal year 2016, the Literary Fund transfer amount decreases by \$24.7 million, from \$136.0 million to \$111.2 million, compared to the fiscal year 2014 transfer amount designated in Chapter 806. Of the amounts reduced from the transfer, \$10.0 million in fiscal year 2015 and \$10.0 million in fiscal year 2016 are designated to provide school construction loans for school divisions through the Literary Fund. These actions do not affect division per pupil amounts or projected entitlements for VRS retirement in fiscal year 2015 or fiscal year 2016.
- ***House of Delegates Adopted HB 5002*** – *Same as HB/SB 30. The House also recognizes an anticipated \$25.0 million in additional Literary Fund revenues in fiscal year 2015 from the sale of unclaimed property. In addition, the House reduces the total amount designated to provide school construction loans for school divisions through the Literary Fund to \$7.5 million in fiscal year 2015 (from \$10.0 million in HB/SB 30) and eliminates the amount provided for school construction loans in fiscal year 2016 (from \$10.0 million in HB/SB 30). As a result of these actions, the House increases the transfer from the Literary Fund to support the state share of cost for teacher retirement in fiscal year 2015 from \$107.9 million in HB/SB 30 to \$135.4 million and increases this transfer in fiscal year 2016 from \$111.2 million to \$121.2 million.*

- ***Governor McAuliffe’s Introduced HB/SB 5003*** – Same as HB/SB 30. The Governor also recognizes an anticipated \$25.0 million in additional Literary Fund revenues in fiscal year 2015 from the sale of unclaimed property. In addition, the Governor also eliminates funds designated to provide school construction loans for school divisions through the Literary Fund in fiscal year 2015 (from \$10.0 million in HB/SB 30). The amount provided for school construction loans is increased to \$15.0 million in fiscal year 2016 (from \$10.0 million in HB/SB 30). As a result of these actions, the Governor increases the transfer from the Literary Fund to support the state share of cost for teacher retirement in fiscal year 2015 from \$107.9 million in HB/SB 30 to \$142.9 million and decreases this transfer in fiscal year 2016 from \$111.2 million to \$106.2 million.

Virginia Preschool Initiative (VPI) Non-participation Rate

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - In addition to the technical updates to the Virginia Preschool Initiative (VPI) funding formula, the Governor’s introduced budget also maintains the projected VPI non-participation rate in both fiscal year 2015 and fiscal year 2016 at the same 25.43 percent rate contained in Chapter 806 for fiscal year 2014. As a result, state funding for VPI is reduced by \$24.2 million in fiscal year 2015 and \$24.3 million in fiscal year 2016. This estimate of non-participation affects the state appropriation for the program but does not change the division-level allocation of student slots or entitlement amounts.
- ***House of Delegates Adopted HB 5002*** – Same as HB/SB 30.
- ***Governor McAuliffe’s Introduced HB/SB 5003*** – Same as HB/SB 30.

Textbook Funding

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget proposes several actions that affect programs that are funded by Lottery proceeds (please see sections labeled “Update Lottery Proceeds” and “Virginia Preschool Initiative (VPI)” above for further details on these updates.) After all actions, the portion of Textbooks payments that will be funded by Lottery proceeds decreases by \$2.3 million in fiscal year 2015 and \$10.1 million in fiscal year 2016, compared to the portion of Textbooks payments funded by Lottery proceeds in Chapter 806. This fund source change does not impact the projected payment amounts to divisions for textbooks.
- ***House of Delegates Adopted HB 5002*** – The House adopts several actions that affect programs that are funded by Lottery proceeds (please see sections labeled “Update Lottery Proceeds” and “Technical Updates to Direct Aid Accounts for 2014-2016 Subsequent to the Rebenchmarking Budget Presented to the Board of Education in September 2013” above for further details on these updates). After all actions, the portion of Textbooks payments that will be funded by Lottery proceeds decreases by \$2.7 million in fiscal year 2015 and \$2.6 million in fiscal year 2016, compared to the portion of Textbooks payments funded by Lottery proceeds in HB/SB 30. This fund source change does not impact the overall per pupil amount for textbooks or the projected payment amounts to divisions for textbooks.

- ***Governor McAuliffe's Introduced HB/SB 5003*** – *After all actions contained in HB/SB 5003, the portion of Textbooks payments that will be funded by Lottery proceeds decreases by \$3.8 million in fiscal year 2015 and \$3.5 million in fiscal year 2016, compared to the portion of Textbooks payments funded by Lottery proceeds in HB/SB 30. This fund source change does not impact the overall per pupil amount for textbooks or the projected payment amounts to divisions for textbooks.*

Provide Funding for Extended Learning Time Models, Preschool, and Alternative Instructional Delivery or School Governance Models

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes continuing state funding of \$412,500, plus an additional \$200,812 transferred from the Department of Education Central Office budget, for a total of \$613,312 in each year of the biennium. These funds would provide grants to school divisions for preschool programs; extended day or year schedules or year-round schools; or for assistance to establish charter, college laboratory, or virtual schools, or other instructional delivery or school governance models. Planning or start-up grants for extended learning time models could not exceed \$25,000. School divisions would be required to submit their applications to the Department of Education by August 1 preceding the school year in which the grant would be expended. Applications for planning grants must include evidence of commitment to pursue implementation in the school year immediately following the school year in which the planning grant is expended. School divisions with existing extended learning time programs would be eligible to apply for any balances that exist from funds provided. The Department of Education must give school divisions containing at-risk schools (i.e., accredited with warning) priority when considering applications, and may otherwise use competitive criteria in reviewing applications for funding.
- ***House of Delegates Adopted HB 5002*** – *Same as HB/SB 30.*
- ***Governor McAuliffe's Introduced HB/SB 5003*** – *In HB/SB 5003, the Governor proposes language limiting this funding to planning grants for divisions pursuing year-round school programs. The language increases the cap on planning grants from \$25,000 to \$50,000 and removes language from HB/SB 30 referring to planning grants for preschool, assistance to establish charter, college laboratory, or virtual schools, or for other instructional delivery or school governance models. Divisions would apply to DOE by August 1 each year, and priority would be given to schools based on state accreditation ratings or federal accountability designations. The Governor also proposes increasing state funding by \$2.4 million in each year of the biennium to provide start-up grants of up to \$300,000 per school per year, depending on the extended school year model adopted. Grants would be awarded giving first priority to school divisions awarded planning grants in fiscal year 2014 and the College Readiness Center pilot, and second priority to schools based on state accreditation ratings or federal accountability designations. Finally, the Governor's proposal requires the Department of Education to account for extended school year models in the rebenchmarking of the Standards of Quality costs, beginning in the 2016-2018 biennium, by providing the state share for the additional days of instruction provided.*

Provide Funding for a Targeted Instructional Specialists Initiative

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes providing \$1.8 million in each year of the biennium to provide the state's share of the cost for one reading or math instructional specialist in underperforming schools. Eligible schools will include those that have been denied accreditation or were accredited with warning for the third consecutive year. In addition, the Department must identify up to 20 additional schools for funding from those that were accredited with warning for the second consecutive year that have shown little or no improvement in student achievement in the past year.

School divisions with eligible schools will be required to certify to the Department that the division has hired a reading or math instructional specialist. School divisions receiving these funds are required to match the funding based on their composite index of local ability-to-pay.

- *House of Delegates Adopted HB 5002 – Same as HB/SB 30. The House also proposes a requirement that school divisions report annually to the Department of Education the academic math or reading progress of those students who received services from a Math or Reading Instructional Specialist hired as a result of this initiative. The report must include, but not be limited to, the eligible schools' accreditation status before and after such an instructional specialist was hired by the school division to provide direct services to students. The House further requires that the Department of Education develop guidelines and reporting criteria for such annual reports and submit the consolidated school divisions data to the Chairmen of the House Appropriations and Senate Finance Committees no later than September 30.*
- **Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.**

Expand Communities in Schools

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget includes an increase of \$269,400 in each year of the biennium for the expansion of the Communities in Schools of Virginia (CIS) program into Petersburg.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- **Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.**

Expand the Great Aspirations Scholarship Program

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget includes an increase of \$187,500 in each year of the biennium for the expansion of the Great Aspirations Scholarship Program (GRASP).

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- *House of Delegates Adopted HB 5002 – Proposes funding GRASP at the level contained in Chapter 806 for fiscal year 2014. This action results in a state savings of \$187,500 in each year of the biennium compared to HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Expand PluggedInVA

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget includes an increase of \$235,125 in each year of the biennium to fund 20 additional PluggedInVA grants to increase adult education opportunities.
- *House of Delegates Adopted HB 5002 – Proposes funding PluggedInVA at the level contained in Chapter 806 for fiscal year 2014. This action results in a state savings of \$235,125 in each year of the biennium compared to HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Expand the Positive Behavioral Interventions and Support Program

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget provides an additional \$256,960 in each year of the biennium to expand the number of schools implementing the Positive Behavioral Interventions and Support program (formerly known as the Effective Schoolwide Discipline Initiative), which provides models for schools that have significant rates of suspension or expulsion to improve school climate and reduce disruptive classroom behavior. An associated increase in funding to expand statewide training for the program is proposed in the Department of Education Central Office budget; please see the section below labeled “Expand the Positive Behavioral Interventions and Support Program” for further details.
- *House of Delegates Adopted HB 5002 – Proposes funding the Direct Aid portion of the Positive Behavioral Interventions and Support program at the level contained in Chapter 806 for fiscal year 2014. This action results in a state savings of \$256,960 in each year of the biennium compared to HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Provide Grants for Teach for America Contracts

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** – The Governor’s introduced budget includes \$500,000 in each year of the biennium to provide grants reimbursing school divisions who have hired teachers through the Teach for America program for the \$5,000 fee per teacher. State funds would be paid to school divisions that certify to the Department of Education the number of teachers hired through the Teach for America program. The Opportunity Educational Institution would evaluate each application and provide the Department of Education the final grant allocations.

- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30. The Governor also proposes removing the requirement that the Opportunity Education Institution evaluate grant applications associated with the proposed Teach for America grant program. Instead, the Department of Education will be responsible for the grant applications.*

Reading Specialists Initiative

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** – The Governor’s introduced budget continues funding for school divisions with schools that participated in the program in fiscal year 2014. Funding will be provided at 100 percent of the state share in fiscal year 2015 and at 50 percent of the state share for the same schools in fiscal year 2016; these schools are also granted a one-year extension of the two-year waiver for the administration of third grade SOL assessments in science or history that was originally granted in fiscal year 2014. The Department of Education is authorized to disburse additional payments to divisions from any remaining funds each year to support additional qualifying schools and shall give priority to schools with the lowest SOL pass rates for reading or the greatest number of years accredited with warning in English. Payments to school divisions in support of such additional qualifying schools each year shall be based on 100 percent of the state share of the cost.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30. The House also proposes a requirement that school divisions report annually to the Department of Education the academic reading progress of those students who received services from a Reading Specialist hired under the Reading Specialists Initiative. The report must include, but not be limited to, the school-wide pass rate on the reading Standards of Learning (SOL) assessments and any appropriate grade-level SOL pass rates before and after such a specialist was hired by the school division to provide direct services to those students reading below grade level in the school in order to improve their reading achievement. The House further requires that the Department of Education develop guidelines and reporting criteria for such annual reports and submit the consolidated school divisions data to the Chairmen of the House Appropriations and Senate Finance Committees no later than September 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

3. Direct Aid Budget Policy Changes Not Included in HB/SB 30

Revise Free Lunch Eligibility Data Used for K-3 Primary Class Size Reduction Funding

- *House of Delegates Adopted HB 5002 – The House proposes revising the free lunch eligibility data used in the calculation of state funding for the K-3 Primary Class Size Reduction program to use a three-year average of free lunch eligibility, rather than a single year value that is used currently. The proposed methodology is consistent with the methodology used to calculate Standards of Quality funding for Prevention, Intervention,*

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and Remediation. This action decreases state funding for the K-3 Primary Class Size Reduction program by approximately \$5.2 million in each year of the biennium.

- **Governor McAuliffe's Introduced HB/SB 5003** – *No action taken.*

Fund the State's Share of a Salary Increase for Funded SOQ Instructional and Support Positions

- **House of Delegates Adopted HB 5002** – *The House proposes funding the state's share of a one percent salary increase for all funded SOQ instructional and support positions in fiscal year 2016, effective July 1, 2015. The state's share of the cost to fund this salary increase and associated fringe benefits is approximately \$40.4 million in fiscal year 2016. Funded SOQ instructional positions based on the SOQ staffing standards include teachers, principals, assistant principals, guidance counselors, librarians, and instructional aides.*

These compensation supplement funds are intended to be incentive funds, and would not be included as part of the 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 and calculated using an effective date of July 1, 2015.

State funds would be paid to school divisions that certify to the Department of Education, by June 15, 2015, that salary increases of a minimum of 1.0 percent will be provided no later than July 1, 2015, to instructional and support personnel. The House also specifies that the salary increases provided in fiscal year 2016 as part of the Virginia Retirement System member contribution increases would not satisfy the eligibility requirements to receive the state funding for salary increases.

- **Governor McAuliffe's Introduced HB/SB 5003** – *In HB/SB 5003, the Governor proposes funding the state's share of a two percent salary increase for all funded SOQ instructional and support positions in fiscal year 2015, effective April 1, 2015. The state's share of the cost to fund this salary increase and associated fringe benefits is approximately \$20.1 million in fiscal year 2015 and \$80.8 million in fiscal year 2016. Funded SOQ instructional positions based on the SOQ staffing standards include teachers, principals, assistant principals, guidance counselors, librarians, and instructional aides.*

State funds would be paid to school divisions that certify to the Department of Education that the state share of funding received by the locality for fiscal year 2015 will be expended prior to June 30, 2015, solely for providing salary increases to instructional and support positions in fiscal year 2015. School divisions may provide salary increases less than 2.0 percent, as long as the funds expended by the school division implementing the salary increase provided in fiscal year 2015 are greater than or equal to the value of the state share of funding received by the locality.

School divisions may elect to defer the salary increase until July 1, 2015. School divisions must certify this election to the Department of Education by October 1, 2014, and will not receive the state share of funding for the salary increase in fiscal year 2015.

These compensation supplement funds are intended to be incentive funds, and would not be included as part of required local effort. Local governments are encouraged, but not required, to provide a local match based on the composite index of local ability-to-pay.

The certifications regarding the expenditure of fiscal year 2015 state funds and deferral of the salary increase until July 1, 2015, would be collected on the Department's annual Required Local Effort and Required Local Match data collection.

Increase Virginia Preschool Initiative (VPI) Funded Slots

- *House of Delegates Adopted HB 5002 – No action taken.*
- *Governor McAuliffe's Introduced HB/SB 5003 - In HB/SB 5003, the Governor proposes funding VPI slots at the greater of the values in the introduced HB/SB 30 budget or actual slots used by each division in fiscal year 2014. This action increases state funding for VPI by approximately \$3.6 million in fiscal year 2015 and \$3.8 million in fiscal year 2016.*

In addition, HB/SB 5003 directs the Department of Education to update Head Start count data used for calculating funded VPI slots annually, instead of the current practice of updating this data biennially. Calculation of funded slots includes deducting the number of four-year-olds served in Head Start from the estimated number of at-risk four-year-olds for each division. The number of funded slots per division in the introduced budget is based on Head Start count data from the 2012-2013 school year for each year of the biennium. HB/SB 5003 directs the Department of Education to collect updated Head Start count data annually, beginning with fiscal year 2016.

Expand Jobs for Virginia Graduates

- *House of Delegates Adopted HB 5002 – No action taken.*
- *Governor McAuliffe's Introduced HB/SB 5003 - In HB/SB 5003, the Governor provides an additional \$373,776 in each year of the biennium to increase state support of the Jobs for Virginia Graduates (JVG) initiative.*

Reduce Funding for Strategic Compensation Grants

- *House of Delegates Adopted HB 5002 – The House's adopted budget reduces state funding for the Strategic Compensation Grants Initiative by \$1.5 million in fiscal year 2016.*
- *Governor McAuliffe's Introduced HB/SB 5003 - In HB/SB 5003, the Governor proposes reducing state funding for the Strategic Compensation Grants Initiative by \$5.0 million in fiscal year 2015 and eliminating funding (\$7.5 million) in fiscal year 2016.*

Provide Partial Hold Harmless Funding for School Divisions in Fiscal Year 2015

- *House of Delegates Adopted HB 5002 – No action taken.*

- ***Governor McAuliffe's Introduced HB/SB 5003*** - In HB/SB 5003, the Governor proposes providing approximately \$3.3 million in fiscal year 2015 to increase state funding to school divisions which experienced a reduction in Direct Aid state funding in fiscal year 2015 as compared to fiscal year 2014 (Chapter 806). The proposed payment represents one-half of each division's reduction.

Funding for Project Discovery

- ***House of Delegates Adopted HB 5002*** – The House's adopted budget eliminates state funding for Project Discovery, resulting in a savings of \$425,000 in each year of the biennium. The fiscal year 2015 savings is redirected to support new state funding for An Achievable Dream Academy in fiscal year 2015, as described below.
- ***Governor McAuliffe's Introduced HB/SB 5003*** – No action taken.

Fund An Achievable Dream Academy

- ***House of Delegates Adopted HB 5002*** – The House's proposed budget includes \$554,000 in fiscal year 2015 for a new An Achievable Dream Academy for students in kindergarten through grade twelve within the Virginia Beach Public School system.
- ***Governor McAuliffe's Introduced HB/SB 5003*** – No action taken.

Reduce Funding for State Operated Programs

- ***House of Delegates Adopted HB 5002*** – The House proposes reducing state funding for State Operated Programs by \$250,000 in each year of the biennium. This reduction represents approximately one percent for teacher staffing in the state-operated education programs of the 23 local or regional juvenile detention centers. In addition, the House proposes requiring the Department of Education to present to the Board of Education, by October 15, 2014, options for increasing pupil-teacher ratios or other savings and a review of how other states provide education in juvenile detention centers, and provide a report to the House Appropriations and Senate Finance Committees by October 31, 2014.
- ***Governor McAuliffe's Introduced HB/SB 5003*** – No action taken.

Reprogram Funding for Governor's School Planning and Start-Up/Expansion Grants

- ***House of Delegates Adopted HB 5002*** – The House's adopted amendment removes \$100,000 of state funds in fiscal year 2015 from the Governor's School Planning and Start-up/Expansion Grants and reprograms it to support the Department of Education in the development of a model proposal for establishing a joint school for a Career and Technical Education theme-based Governor's School, pursuant to HB 887.
- ***Governor McAuliffe's Introduced HB/SB 5003*** – No action taken.

4. Language-Only Amendments for Direct Aid Programs Included in HB/SB 30

VPSA Security Equipment Grants for Consolidated Divisions

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's amended budget proposes to change the date used to determine eligibility for division-level grants available as part of the VPSA Security Equipment grant program for each division involved in a consolidation. The date would be changed from September 30, 2012 to September 30, 2000, so that school divisions that have consolidated continue to be entitled to the division-level grant for the number of school divisions that existed prior to September 30, 2000. This date would be consistent with the date used for the VPSA Educational Technology grant program.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Clarify STEM Teacher Bonus Program Language

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget adds clarifying language regarding the STEM Teacher Bonus Program. The proposed language clarifies that teachers are eligible for the initial \$5,000 incentive when, in addition to meeting the other eligibility criteria, they have signed a contract *in the same school division* for the following school year.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Clarify Language on Special Education State Operated Programs

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's proposed budget includes language clarifying that state funding provided for the education programs in the juvenile justice component of the State Operated Programs account will be based only on students detained in such facilities through a court order issued by a Virginia court. The proposed language specifies that, "*The portion of these funds provided for educational services to children residing in local or regional detention homes shall only be determined on the basis of children detained in such facilities through a court order issued by a court of the Commonwealth.*"
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

VPSA Educational Technology Grants

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget updates language for the VPSA Educational Technology Grants program to allow the use of unobligated notes proceeds to fund a portion of other technology grants that have been authorized by the General Assembly, in addition to the grants that were originally authorized.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Virginia e-Learning Backpack Initiative

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes changes to the structure of the Virginia e-Learning Backpack Initiative, modifying the criteria for determining eligible schools to include only those not fully accredited for the second consecutive year. This change is effective beginning with the spring 2015 grants. In addition, for schools that do not have grades 10, 11, or 12, the grants may transition with the students to the primary receiving school for all years subsequent to grade 9. Schools that receive the grant in fiscal year 2014 will receive funding based on the criteria and structure in place in fiscal year 2014 under the Chapter 806 budget.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

5. Language-Only Amendments to Direct Aid Programs Not Included in HB/SB 30

Expand Allowable Equipment Purchases under the Virginia e-Learning Backpack Initiative

- *House of Delegates Adopted HB 5002 – The House's adopted amendment expands the type of equipment that school divisions can purchase with grants under the Virginia e-Learning Backpack Initiative from just "tablets" to any "handheld computing device."*
- *Governor McAuliffe's Introduced HB/SB 5003 – No action taken.*

B. 2014-2016 DEPARTMENT OF EDUCATION CENTRAL OFFICE BUDGET

1. Central Office Policy Changes Impacting School Divisions

Expand the Effective Positive Behavioral Interventions and Support

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget provides an additional \$125,000 in each year of the biennium to support the expansion of the Positive Behavioral Interventions and Support program (formerly known as the Effective Schoolwide Discipline Initiative) for statewide training, technical assistance, and on-site coaching. An associated increase in funding to expand this program is proposed in the Direct Aid to Public Education budget; please see the section above labeled "Expand the Positive Behavioral Interventions and Support Program" for further details.
- *House of Delegates Adopted HB 5002 – Eliminates the \$125,000 funding increase each year as proposed in HB/SB 30 and maintains funding each year at the current fiscal year 2014 amount of \$277,000.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Transfer Funding from Innovative Education Technical Advisory Group in Central Office to Direct Aid to Support Extended Learning Time Models and Other Uses

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget combines grant programs to provide a single source for grants for extended learning time models as well as alternative instructional delivery or school governance models and preschool. This action transfers the existing funding for the Innovative Education Technical Advisory Group from the Central Office to the Direct Aid budget for this purpose. A companion action is included in the Direct Aid budget. Please see the section above labeled "Provide Funding for Extended Learning Time Models, Preschool, and Alternative Instructional Delivery or School Governance Models" for further details.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Provide Funding to Support the Virginia Center for Excellence in Teaching

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes providing \$315,923 in fiscal year 2015 and \$330,137 in fiscal year 2016 to support the full annual cost of the Virginia Center for Excellence in Teaching's residential summer professional development academies for exemplary teachers at George Mason University.

- *House of Delegates Adopted HB 5002 – Eliminates the \$315,923 funding increase in fiscal year 2015 and the \$330,137 funding increase in fiscal year 2016 as proposed in HB/SB 30 and maintains funding each year at the current fiscal year 2014 amount of \$220,191.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Increase Funding for Academic Reviews on Under-Performing Schools

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget proposes increasing state funding by \$309,680 in each year of the biennium to support additional academic reviews the Department is required to conduct on under-performing schools that are not fully accredited. The cost for such reviews has increased with an increase in the number of schools that are accredited with warning or provisionally accredited.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Increase Funding for Early Reading Intervention Diagnostic (PALS)

- **Governor McDonnell’s Introduced Budget HB/SB 30 (December, 2013)** - The Governor’s introduced budget proposes providing \$104,752 in fiscal year 2015 and \$89,652 in fiscal year 2016 to align the PALS literacy assessment diagnostic tool with revisions to the English Standards of Learning. The additional funding would also provide support to teachers on how to coordinate assessment results with lesson plans.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as HB/SB 30.*

Decrease Funding for Standards of Learning (SOL) Testing

- *House of Delegates Adopted HB 5002 – The House proposes reducing the total number of SOL tests administered from 34 to 29, pursuant to HB 930-H1. This action reduces the Department of Education’s funding for the SOL testing program by \$3.0 million in each year of the biennium.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – In HB/SB 5003, the Governor proposes reducing the Department of Education’s funding for the SOL testing program by \$2.9 million in each year of the biennium. This action reflects anticipated saving in test costs due to the reduction in SOL testing pursuant to HB 930 and SB 306.*

2. Language-Only Amendments to Central Office Included in HB/SB 30

Clarify Language for the Virginia Center for Excellence in Teaching

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes language that clarifies that teachers must teach in a public school division in Virginia in order to be eligible to attend the Virginia Center for Excellence in Teaching.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

C. 2014-2016 SECRETARY OF EDUCATION BUDGET

Eliminate Funding for College Partnership Laboratory Schools in the Second Year

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes eliminating funding in fiscal year 2016 for College Partnership Laboratory Schools. This action results in a reduction in state funding for College Partnership Laboratory Schools of \$600,000 in fiscal year 2016. State funding of \$600,000 remains for fiscal year 2015.
- *House of Delegates Adopted HB 5002 – Eliminates the remaining \$600,000 in fiscal year 2015 funding. The HB/SB 30 budget included no funding for fiscal year 2016.*
- *Governor McAuliffe's Introduced HB/SB 5003 – same as the House's adopted amendment.*

Review of Governor's School Payment Formula

- **Governor McDonnell's Introduced Budget HB/SB 30 (December, 2013)** - The Governor's introduced budget proposes requiring the Secretary of Education, with the support of the Department of Education, to conduct a study of the formula used to determine Governor's School payments. The study shall include, but not be limited to, consideration of the length of the program, appropriate state and local shares, and the academic model used by Governor's Schools in the configuration of the funding formula.
- *House of Delegates Adopted HB 5002 – Same as HB/SB 30. The House further directs the Secretary of Education to report the findings of this study to the Chairmen of the House Appropriations and Senate Finance Committees no later than October 1, 2014.*
- *Governor McAuliffe's Introduced HB/SB 5003 – Same as HB/SB 30.*

Programme for International Student Assessment (PISA)

- *House of Delegates Adopted HB 5002 – Directs the Secretary of Education, in consultation with the Board of Education, to review and assess the value of obtaining state-level results from the PISA assessment and report the findings to the House Appropriations and Senate Finance Committees by July 15, 2015.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – No action taken.*

D. 2014-2016 OPPORTUNITY EDUCATIONAL INSTITUTION BUDGET

Opportunity Educational Institution (OEI) Funding

- *House of Delegates Adopted HB 5002 – The House budget removes \$450,000 and 6 FTEs from the OEI budget in each year of the biennium.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – Same as the House’s adopted amendment, except the Governor’s proposal does not include the reduction of FTEs.*

E. OTHER AGENCY BUDGET AMENDMENTS IMPACTING SCHOOL DIVISIONS

Local School Division Participation in the State Employee Health Plan

- *House of Delegates Adopted HB 5002 – No action taken.*
- *Governor McAuliffe’s Introduced HB/SB 5003 – In HB/SB 5003, the Governor proposes language that allows local school divisions to elect to begin participating in the state employee health plan, effective July 1, 2015. School boards making this election must adopt a resolution stating their desire to participate in the state employee health plan beginning in either the fiscal year 2016 or fiscal year 2017 plan year and provide a copy of such resolution to the Department of Human Resource Management (DHRM) no later than July 1, 2014.*

If a local school board elects to participate in the state employee health plan, such participation shall continue for three consecutive plan years, after which the school board shall be required to make an irrevocable election whether to continue participation. The total cost of such participation shall be borne by the local school board and the employees of the school division, and the school division shall not be allowed to offer health benefit plans other than those offered to state employees.

The Governor further requires DHRM to develop an actuarial analysis of expected premiums and costs to include those local school divisions that have certified to DHRM a desire to participate in the state employee health plan. DHRM’s actuarial analysis is due by January 1, 2015. In addition, DHRM would be required to develop guidelines and procedures for including the employees of local school divisions in the state employee health plan.