

Summary of Governor McAuliffe's Proposed Amendments to the 2014-2016 Biennial Budget that Affect Fiscal Year 2016 ("Caboose Bill")

This document summarizes the budget amendments proposed by Governor McAuliffe to the current 2014-2016 biennial budget (i.e., Chapter 665, 2015 Acts of Assembly) that affect fiscal year 2016. The current biennial budget (Chapter 665) is the budget against which the Governor's proposed fiscal year 2016 changes are made. The Governor's introduced budget bill to the 2016 General Assembly containing his fiscal year 2016 amendments is HB 29/SB 29.

AMENDMENTS TO THE FY 2016 DIRECT AID TO PUBLIC EDUCATION BUDGET

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 year 2016 are revised for each division based on the latest actual ADM and fall membership data available. On a statewide basis, these revised projections result in a decrease in unadjusted ADM of 4,621 students from the projections on which fiscal year 2016 estimated payments are currently based in Chapter 665 (as communicated in [Superintendent's Memorandum Number 046-15](#), dated February 27, 2015). The ADM and fall membership updates result in an estimated decrease on a statewide basis in Direct Aid state payments of \$21.6 million in fiscal year 2016. Projected ADM for fiscal year 2016 was originally projected by the Department of Education based on actual data through September 30, 2014, fall membership. The most recent projections contained in the Governor's amended budget have been revised based on actual March 31, 2015, ADM and September 30, 2015, fall membership. The ADM-based estimated payments for fiscal year 2016 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 2016.

- **Update Remedial Summer School**

Remedial Summer School state funding is decreased by \$1.8 million for fiscal year 2016 based on actual enrollment in the Summer 2015 program.

- **Update Sales Tax Projection**

The Governor's amendments reflect the most recent estimate of sales tax revenue dedicated to public education for fiscal year 2016, as computed by the Department of Taxation. The revised sales tax revenues include both the one percent portion and the one-eighth percent portion that are appropriated for distribution to school divisions based on school-age population. The projected sales tax entitlement contained in Attachment B and in the Excel calculation file reflects the revised estimates for these two sales tax sources, which are shown in Attachment B and in the Excel file as a single revenue line item.

The Department of Taxation's latest estimate of the one percent and one-eighth percent sales tax revenue is \$1,327,900,000 for fiscal year 2016. This revised sales tax estimate is approximately \$5.6 million higher in fiscal year 2016 than the projections contained in Chapter 665. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been decreased to offset a portion of the increased sales tax revenues that are projected. The amount of the Basic Aid offset is determined by each division's composite index of local ability-to-pay. The state share of Basic Aid decreases approximately \$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 approximately \$2.5 million in fiscal year 2016.

▪ **Update Lottery Revenue Estimate**

The Governor's amended budget increases the estimate of Lottery proceeds by approximately \$7.3 million in fiscal year 2016 (from \$531.7 million to \$539.0 million) over the projections contained in the Chapter 665 budget. Please see the section labeled "Transfer a Portion of General Fund Programs to Lottery Service Area" below for further details on the accounts being funded by the increased Lottery proceeds.

▪ **Technical Updates to Incentive, Categorical, and Lottery Accounts**

Various technical adjustments have been made to incentive, categorical, and Lottery accounts to reflect the latest information on special education student counts, PALS assessment data, and actual and updated projected participation in programs. State funding is decreased by \$5.6 million in fiscal year 2016 for these technical updates. Significant budget adjustments contained in this particular amendment are discussed in more detail in the following paragraphs.

• *Incentive Technical Updates*

The Governor's amended budget recognizes savings to incentive accounts of \$915,205 in fiscal year 2016 based on actual program participation. Funding for Governor's School programs is decreased by \$273,232 in fiscal year 2016, based on actual fiscal year 2016 enrollment. Funding for the salary increase provided for all funded SOQ instructional and support positions in Chapter 665 is reduced by \$470,442 in fiscal year 2016, based on school division participation as certified on the Department's annual Required Local Effort and Required Local Match data collection.

• *Categorical Technical Updates*

The Governor's amended budget recognizes approximately \$332,148 in savings to categorical accounts based on actual program participation. State funding for the Special Education Jails account is reduced by \$322,197 based on estimated program participation in fiscal year 2016.

- *Lottery Technical Updates*

The Governor's amended budget includes technical updates based on actual participation and revised estimates to the following Lottery-funded accounts: K-3 Primary Class Size Reduction, Early Reading Intervention, Foster Care, At-Risk, Virginia Preschool Initiative, SOL Algebra Readiness, Alternative Education, Special Education - Regional Tuition, Supplemental Basic Aid, and School Breakfast. In addition, English as a Second Language is updated based on actual fiscal year 2016 enrollment and state funding decreased by \$1.6 million. In total, \$3.0 million in Lottery proceeds are available from program savings to offset general fund costs of other programs. See the section labeled "Transfer a Portion of General Fund Programs to Lottery Service Area" below for further details regarding the use of Lottery savings resulting from the above technical updates to increase the portion of program costs funded by Lottery proceeds in fiscal year 2016.

- **Transfer a Portion of General Fund Programs to Lottery Service Area**

The Governor's amended budget proposes using available Lottery proceeds to fund the remaining portion of Textbooks payments costs in fiscal year 2016 that were previously partially funded by the general fund. This represents a general fund savings of \$10.3 million. This change modifies the source of funds used to support Textbooks costs but does not alter the funding methodology or the projected division payment amounts for Textbooks in fiscal year 2016.

Please see the sections above labeled "Update Lottery Revenue Estimate" and "Lottery Technical Updates" for further details regarding the actions taken that generated the available \$10.3 million in Lottery proceeds used to fund additional Textbooks costs from Lottery proceeds.