

Summary of Budget Amendments Proposed by the Senate and by the House of Delegates to Change the Fiscal Year 2016 Direct Aid to Public Education Budget as Introduced in HB/SB 29 (“Caboose Bill”)

This document provides a summary of amendments to the fiscal year 2016 introduced budget (HB/SB 29), also known as the “Caboose Bill,” that were separately adopted by the Senate and by the House of Delegates on February 25, 2016. These budget actions amend the introduced budget proposed by Governor McAuliffe in HB/SB 29, which was communicated in Attachment A of Superintendent’s Memorandum No. 299-15 dated December 17, 2015. The original text of that attachment is repeated in this document for reference purposes. The actions proposed by executive amendment, by the House of Delegates, and by the Senate are summarized in this document and are reflected in italicized text. Information related to the Direct Aid to Public Education budget amendments are organized into the following sections:

1. Technical Updates to Existing Direct Aid Programs
2. Direct Aid Budget Policy Changes Included in HB/SB 29
3. Direct Aid Budget Policy Changes Not Included in HB/SB 29
4. Language-Only Amendments for Direct Aid Programs Not Included in HB/SB 29

AMENDMENTS TO THE DIRECT AID TO PUBLIC EDUCATION BUDGET

1. Technical Updates to Existing Direct Aid Programs

Update Average Daily Membership (ADM) and Fall Membership

- **Governor** – Projections of unadjusted and adjusted average daily membership (ADM) for fiscal year 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.

- *Senate* – same as the Governor's amended budget.
- *House* – same as the Governor's amended budget.

Update Remedial Summer School

- **Governor** – Remedial Summer School state funding is decreased by \$1.8 million for fiscal year 2016 based on actual enrollment in the Summer 2015 program.
- **Executive Amendment** – *The Governor's executive amendment updates the Remedial Summer School projection based on data resubmissions of six school divisions. The impact of this amendment is an increase in proposed state funding of \$259,007.*
- *Senate* – same as the Governor's amended budget and the executive amendment.
- *House* – same as the Governor's amended budget and the executive amendment.

Update Sales Tax Projection

- **Governor** - 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 the Excel calculation file reflects the revised estimates for these two sales tax sources, which are shown 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.

- **Executive Amendment** – *The Governor's executive amendment reduces the Department of Taxation's estimate of the one percent and one-eighth percent sales tax revenue to \$1,316,900,000. This change decreases the sales tax projection for fiscal year 2016 by \$11.0 million. The net effect to state funding (after the Basic Aid offset) is a decrease in proposed state funding of \$4.8 million in fiscal year 2016.*

- *Senate* – same as the Governor's amended budget and the executive amendment.
- *House* – same as the Governor's amended budget and the executive amendment.

Update Lottery Revenue Estimate

- **Governor** – 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.
- *Senate* – same as Governor's amended budget. In addition, the Senate proposes to update Lottery proceeds in fiscal year 2016 with an additional \$20.3 million in proceeds. There is an offsetting reduction in general funds in Direct Aid of the same amount. Total state distributions to school divisions are not affected in fiscal year 2016.
- *House* – same as Governor's amended budget.

Technical Updates to Incentive, Categorical, and Lottery Accounts

- **Governor** – 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 reduced by \$18.6 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 \$13.1 million in fiscal year 2016 based on actual program participation. Funding for Governor's School programs is decreased by \$332,264 in fiscal year 2016, based on actual fiscal year 2016 enrollment (up to the enrollment cap of 1,725 students). Funding for the Strategic Compensation Grants Initiative is reduced by \$3.0 million based on actual grants awarded. Funding for the salary increase provided for all funded SOQ instructional and support positions in Chapter 806 is reduced by \$9.3 million 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. Funding for the Early Reading Specialists Initiative is decreased by \$474,800, based on the two year testing waivers approved by the Board of Education and final certified participation in the program. In addition, Virginia Public School Authority (VPSA) Educational Technology grants were updated for schools reporting fall membership for fiscal year 2016 and for 2013-2016 accreditation status for use in calculating grants under the new Virginia e-Learning Backpack Initiative.

- *Categorical Technical Updates*

The Governor's amended budget recognizes approximately \$2.9 million in savings to categorical accounts based on actual program participation. State funding for the Special Education Homebound program is reduced by \$232,549 in fiscal year 2016 (from \$5.6 million to \$5.4 million) based on the actual state share of local program costs. State funding for the Special Education State Operated Programs account is reduced by \$2.2 million based on actual payments for fiscal year 2013 and estimated program participation in fiscal year 2016. State funding for the Special Education Jails account is reduced by \$401,544 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, Standards of Learning (SOL) Algebra Readiness, Alternative Education, Special Education - Regional Tuition, Supplemental Basic Aid, and School Breakfast. In addition, based on actual fiscal year 2016 enrollment, Remedial Summer School state funding is decreased by \$282,780 and state funding for English as a Second Language is decreased by \$604,563. Please see the section labeled "Transfer a Portion of General Fund Programs to Lottery Service Area" below for further details regarding the allocation of savings resulting from the above technical updates and the accounts being partially funded by Lottery proceeds.

- *Executive Amendment* – The Governor's executive amendment makes corrections to the projections for the Special Education Regional Tuition and Foster Care program projections. This amendment decreases proposed state funding by \$1.5 million in fiscal year 2016.
- *Senate* – same as the Governor's amended budget and the executive amendment.
- *House* – same as the Governor's amended budget and the executive amendment.

2. Direct Aid Budget Policy Changes Included in HB/SB 29

Transfer a Portion of General Fund Programs to Lottery Service Area

- **Governor** – 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.

- *Senate* – same as the Governor's amended budget.
- *House* – same as the Governor's amended budget.

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

Norton City Census Population Technical Correction

- *Senate* – no action.
- *House* – proposes a technical correction that corrects the school-age population estimate reported by the Weldon Cooper Center for Norton City Public Schools. The amendment would increase proposed state funds to Norton City Public Schools by \$123,000 in fiscal year 2016.

4. Language-Only Amendments for Direct Aid Programs Not Included in HB/SB 29

VPSA Educational Technology Grants

- *Senate* – updates the language for the Virginia Public School Authority (VPSA) Educational Technology grants total for the revised Spring 2016 issuance of debt based on actual participation.
- *House* – same as the Senate action.