

## **Summary of Governor McAuliffe's Proposed Amendments to the 2016-2018 Biennial Budget that Affect Fiscal Year 2018 ("Caboose Bill")**

This document summarizes the budget amendments proposed by Governor McAuliffe to the current 2016-2018 biennial budget (i.e., Chapter 836, 2017 Acts of Assembly) that affect fiscal year 2018. The current biennial budget (Chapter 836) is the budget against which the Governor's proposed fiscal year 2018 changes are made. The Governor's introduced budget bill to the 2018 General Assembly containing his fiscal year 2018 amendments is HB/SB 29.

### **AMENDMENTS TO THE FY 2018 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 2018 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 1,099 students from the projections on which fiscal year 2018 estimated payments are currently based in Chapter 836 (as communicated in [Superintendent's Memorandum Number 058-17](#), dated February 28, 2017). The ADM and fall membership updates result in an estimated decrease on a statewide basis in Direct Aid state payments of \$5.0 million in fiscal year 2018. Projected ADM for fiscal year 2018 was originally projected by the Department of Education based on actual data through September 30, 2016, fall membership. The most recent projections contained in the Governor's amended budget have been revised based on actual March 31, 2017, ADM and September 30, 2017, fall membership. The ADM-based estimated payments for fiscal year 2018 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 2018.

- **Update Remedial Summer School**

Remedial Summer School state funding decreases by \$2.0 million for fiscal year 2018 based on actual enrollment in the Summer 2017 program. Payment of final fiscal year 2018 Remedial Summer School entitlements will begin December 2017.

- **Update English as a Second Language**

In fiscal year 2018, the English as a Second Language program is funded with general funds. Enrollment updates for the program increase state funding by \$1.6 million for school divisions.

- **Update Sales Tax Projection**

The Governor's amendments reflect the most recent estimate of sales tax revenue dedicated to public education for fiscal year 2018, 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 \$1,379,600,000 for fiscal year 2018. This revised sales tax estimate is approximately \$1.7 million higher in fiscal year 2018 than the projections contained in Chapter 836. 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 by \$929,938 in fiscal year 2018 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 \$728,062 in fiscal year 2018.

▪ **Update Lottery Revenue Estimate**

The Governor's amended budget increases the estimate of Lottery proceeds by approximately \$52.0 million in fiscal year 2018 (from \$546.5 million to \$598.5 million) over the projections contained in the Chapter 836 budget. This additional Lottery revenue is used to offset general fund costs of other programs.

▪ **Update Funding for Driver's Education in Basic Aid**

The available funding dedicated for Driver's Education in Basic Aid reduces from \$2.3 million to \$2.1 million in fiscal year 2018. This action is a funding source change only and does not affect the Basic Aid per pupil amounts or distributions to school divisions.

▪ **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, Phonological Awareness Literacy Screening (PALS) assessment data, and actual and updated projected participation in programs. State funding is decreased by \$355,741 in fiscal year 2018 for these technical updates. 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 \$59,900 in fiscal year 2018 based on actual program participation. Enrollment updates for Governor's Schools programs account for this state savings. A technical update was also made to remove schools that had exhausted eligibility for funding under the e-Learning Backpack grant program. This action reduces distributions to school divisions by \$8.5 million.

- *Categorical Technical Updates*

The Governor's amended budget recognizes approximately \$1.1 million in savings to categorical accounts based on actual program participation. The majority of the savings is from anticipated available balances in the Special Education Homebound and State Operated Programs accounts in fiscal year 2018.

- *Lottery Accounts 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 total, \$781,129 in Lottery proceeds are available from program savings to offset general fund costs of other programs.

- **Update Supplemental Education Assistance Accounts**

The state appropriation for the National Board Certified Teacher Bonus program is updated based upon actual payments for fiscal year 2018. The update results in a \$457,500 state savings in fiscal year 2018.

- **Update the Composite Index of Local Ability-to-Pay for Charlottesville**

Pursuant to Item 139.A.4.d of Chapter 836 of the 2017 General Assembly, VDOE has addressed a material correction to the 2013 True Value of Real Estate data element for the City of Charlottesville. This action increases state costs by \$384,476 in fiscal year 2018. The composite index values and funding distributions for all other school divisions remain unchanged with this correction for Charlottesville.

- **Virginia Preschool Initiative Participation**

Based on actual participation in the Virginia Preschool Initiative for fiscal year 2018, there is a balance of state funding of \$1,853,162 compared to the current fiscal year 2018 appropriation in Chapter 836. This balance is used to offset general fund costs of other programs.