

Board of Education Agenda Item

Item: _____ P. _____

Date: January 10, 2008

Topic: Report on the Governor's Proposed Public Education Budget for the 2008-2010 Biennium

Presenter: Mr. Kent C. Dickey, Assistant Superintendent for Finance

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Origin:

Topic presented for information only (no board action required)

Board review required by

State or federal law or regulation

Board of Education regulation

Other: _____

Action requested at this meeting Action requested at future meeting: _____

Previous Review/Action:

No previous board review/action

Previous review/action

date July 25, 2007

action The board waived first review and approved the 2008-2010 Direct Aid to Public Education budget for submission to the Governor with subsequent technical updates as needed.

Background Information:

The Direct Aid to Public Education budget for the 2008-2010 biennium was presented to the Board of Education for first review at the July 2007 meeting. This rebenchmarked budget represented the state cost of continuing the current Direct Aid programs in the 2008-2010 biennium based on the required updates to input data used to determine the cost of the programs. The Board waived first review and approved submission of the Direct Aid budget to the Governor to include additional cost revisions based on subsequent data updates needed to complete the rebenchmarking process for the 2008-2010 biennium. As of the July meeting, the changes resulting from rebenchmarking the Direct Aid budget increased state costs by approximately \$1.1 billion for the 2008-2010 biennium, compared to the FY08 base-year cost. Staff completed the final stages of the Direct Aid rebenchmarking process in fall 2007 for inclusion in the Governor's 2008-2010 biennial budget (HB/SB 30).

Summary of Major Elements:

On December 17, 2007, Governor Kaine presented his proposed 2008-2010 biennial budget to the General Assembly. Governor Kaine's introduced budget fully funds the cost of rebenchmarking the Direct Aid budget for the 2008-2010 biennium. The Governor's budget also includes \$183.2 million for new or expanded Direct Aid programs in 2008-2010. Attachment A provides a summary of key budget actions in the 2008-2010 biennial budget proposed by Governor Kaine for the following public education agencies: Direct Aid to Public Education, DOE Central Office Operations, VSDB&MD-Hampton, and VSDB-Staunton.

New or expanded Direct Aid funding (in addition to funding for rebenchmarking) proposed by the Governor for 2008-2010 includes:

- Salary Increase for SOQ and other Funded Positions (FY10)
- Virginia Preschool Initiative Expansion
- Data Coordinators in At-risk High Schools
- Career Switcher Mentors
- National Board Certification Bonuses
- Virtual Virginia (Virtual AP School)

Attachment B lists key input data used in rebenchmarking Direct Aid costs for the 2008-2010 biennium as proposed in the Governor's introduced budget.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends that the Board accept this informational report.

Impact on Resources:

The final rebenchmarking cost for Direct Aid contained in the Governor's 2008-2010 introduced budget is \$943.0 million. This final rebenchmarking cost is less than the \$1.1 billion estimate presented to the Board in July 2007 due primarily to two factors that reduced the final cost:

- Final enrollment projections that are lower than those used in the July estimate
- Funded VRS fringe benefit rates that are lower than the FY08 rates used for the July estimate

Additional spending items proposed by the Governor that are summarized in Attachment A increase the final Direct Aid general fund appropriations (over the FY08 base) to approximately \$1.1 billion for the biennium. As proposed by the Governor, total general fund appropriations in Direct Aid are \$6.2 billion in FY09 and \$6.5 billion in FY10; this represents a 6.9 percent increase and an 11.7 percent increase, respectively, above the FY08 base-year general fund appropriations in Direct Aid. Non-general fund appropriations in Direct Aid add approximately another \$1.0 billion each year of the biennium primarily for federal grant reimbursements and use of Literary Funds for VRS retirement payments. The Governor's proposed 2008-2010 budget will be considered by the 2008 General Assembly.

Timetable for Further Review/Action:

None.

**Summary of Key Budget Actions Affecting Public Education
Governor's 2008-2010 Biennial Budget as Introduced (HB/SB 30)**

Note: amounts cited below are changes from FY08 base funding; amounts are general fund unless noted.

Direct Aid to Public Education Budget

Rebenchmarking – \$943.0 million is provided for the biennium to fund the cost of standard technical updates to continue current Direct Aid programs in the 2008-2010 biennium. The final cost of rebenchmarking is less than the \$1.1 billion dollar estimate presented to the Board in July 2007 due primarily to the lower enrollment projections and lower VRS fringe benefit rates that were used in the Governor's budget.

Salary Increase – \$132.4 million is provided in FY10 for a three percent salary increase for all funded instructional and support positions, and an additional half percent increase for funded instructional positions. The funding is based on an effective date of July 1, 2009.

Expand Virginia Preschool Initiative – Provides funding to expand access to preschool for at-risk four year olds. Expands the at-risk criterion in the funding formula to include reduced-price lunch eligibility, increases the maximum per pupil amount, caps the composite index at fifty percent, and provides funding for at least one classroom per locality. In FY09, an additional \$15.1 million is provided. For FY10, an additional \$15.1 million (GF) and \$14.9 million (NGF) is provided. The NGF source is federal TANF funds. Approximately 19,300 student slots are funded by FY10, 4,000 more than are funded in FY08.

Data Coordinators in At-risk High Schools – Provides \$1.9 million in FY10 as incentive funding to establish data coordinators in 54 high schools that are currently not fully accredited or that have not made Adequate Yearly Progress under NCLB. Data coordinators will help these schools improve student achievement by interpreting the results of SOL tests and helping teachers improve curriculum and instruction based on these results. In addition, new budget language requires school divisions to use additional At-risk funding above the amount received in FY08 to place data coordinators in at-risk schools throughout the school division.

Expand Virtual Virginia Program – Provides \$960,000 in FY10 to expand enrollment and course offerings in the Virtual AP School component of the Virtual Virginia program. The demand for online courses offered by the program exceeds the number of student slots available. This funding will provide an additional 800 student slots.

Literary Fund – By FY10, the amount of the Literary Fund transfer for VRS retirement payments is decreased by \$25.0 million to a total of \$91.0 million. This action will increase funds available for direct loans. Interest Rate Subsidy programs of \$20.0 million

Attachment A

in FY09 and \$15.0 million in FY10 for projects on the First Priority Waiting List are also proposed.

Mentors for Career Switcher Teachers – Increases funding by \$100,000 each year for stipends paid to individuals mentoring Career Switcher teachers. The additional funding will help meet projected increased participation in the Career Switcher program in the 2008-2010 biennium. Career Switcher teachers are required to have a mentor for one year.

National Board Certification Bonuses – Provides an additional \$926,625 each year for bonuses paid to teachers who achieve National Board Certification. Additional funding is needed due to an increase in the number of teachers obtaining certification. Almost 300 teachers were certified this fall and the number has been increasing the last several years.

Department of Education, Central Office Operations Budget

Continue FY 2008 Budget Reductions – Continues the budget reductions included in the Governor's FY08 reduction plan into the 2008-2010 biennium. For FY09, a decrease of \$1.4 million (GF), an increase of \$791,653 (NGF), and a reduction of one position. For FY10, a decrease of \$1.4 million (GF) and an increase of \$791,653 (NGF).

Expand PALS Diagnostic Assessment – Increases funding by \$379,550 each year for the Phonological Awareness Literacy Screening (PALS) diagnostic screening. PALS helps identify children at risk for early reading difficulties. The additional funding will support the PALS Pre-K assessment and various program support services to school divisions.

Fund VPI Evaluation and Administration – Funds administration of entities funded through the Virginia Preschool Initiative, to provide program monitoring and technical assistance, financial management, and evaluation. For each year, \$340,100 and three positions are provided.

Virginia School for the Deaf, Blind and Multi-Disabled at Hampton

Transfer Operating Funds and Positions to the Consolidated School at Staunton – Transfers a portion of the operating budget and positions to VSDB-Staunton to accommodate additional students due to consolidation of the two schools at Staunton. For FY09, a decrease of \$3.6 million (GF), \$248,740 (NGF), and a reduction of 53 positions. For FY10, a decrease of \$3.3 million (GF) and \$227,124 (NGF).

Adjust Funding Due to Consolidation of the Two Schools – Eliminates general and nongeneral fund appropriation due to consolidation of the two schools at Staunton. A portion of the first-year general funds will remain to support transition of the Hampton

Attachment A

school. For FY09, a decrease of \$249,199 (NGF) and 75 positions. For FY10, a decrease of \$3.8 million (GF) and \$270,815 (NGF).

Virginia School for the Deaf and the Blind at Staunton

Increase Staffing Due to Consolidation – Increases funding for salaries and positions for the instructional and support staff needed to accommodate students transferring from Hampton to the consolidated school at Staunton. This increase is offset by a decrease in funding and positions at Hampton. For FY09, an additional \$3.3 million (GF), \$248,919 (NGF), and 53 positions. For FY10, an additional \$3.1 million (GF) and \$248,720 (NGF).

Fund Increased Operational Costs Due to Consolidation – Provides additional funds for increased operational costs due to the consolidation in areas such as recruitment and hiring, utilities, food service, transportation, security, and technology. For FY09, an additional \$320,000. For FY10, an additional \$237,843.

Capital Funding – Provides \$2.5 million for the biennium to repair and replace roofs, repair campus safety hazards, and remove lead paint and asbestos.

Virginia Department of Education
2008-2010 Direct Aid to Public Education Budget
Summary of Major Data Inputs Used in 2008-2010 Rebenchmarking Calculations - Gov's. Introduced Budget (HB/SB 30)

	FY 2008	2008-2010
A. Student Enrollment Data		
Fall Membership (base-year enrollment)	1,180,735 (2004-2005)	1,195,716 (2006-2007)
Special Education Child Count	204,904 (12/1/04 data)	193,608 (12/1/06 data)
Vocational Education Child Count	2004-2005	2006-2007
SOQ Prevention, Intervention and Remediation (<i>SOL English & Math Test Scores</i>)	3yr. avg. by div. using 02-03 to 04-05 data (3yr. st. avg. = 20.77%)	3yr. avg. by div. using 03-04 to 05-06 data (3yr. st. avg. = 18.70%)
SOQ Prevention, Intervention and Remediation (<i>Free Lunch Eligibility Data</i>)	3yr. avg. by div. using Oct. '02, '03, '04 data (3yr. st. avg. = 23.83%)	3yr. avg. by div. using Oct. '04, '05, '06 data (3yr. st. avg. = 25.20%)
B. Expenditure Data (funded salaries and support costs)	2003-2004 Annual School Report	2005-2006 Annual School Report
C. Fringe Benefit Rates		
Instructional VRS Retirement (including Retiree Health Care Credit)	11.46%	10.47%
Non-instructional VRS Retirement	7.48%	7.60%
Social Security/Medicare	7.65%	7.65%
Group Life Insurance	0.40%	0.36%
Health Care Premium (<i>Funded per position amount with Inflation</i>)	\$4,274	\$5,211
D. Composite Index (<i>Base-Year Data</i>)	2003	2005
E. Funded Non-Personal Support Inflation Factors (<i>Unweighted average</i>)	7.30%	5.39%
F. Textbooks (<i>Funded Per Pupil Amount with Inflation</i>)	\$101.81	\$119.39
G. Average Daily Membership Projections (<i>Original Projections - BOE Budget July '07</i>)	1,199,701 (FY 2008)	1,210,373 (FY 2009), 1,221,682 (FY 2010)
H. Average Daily Membership Projections (<i>Nov. '07 Revised Projections - Gov's. Budget</i>)	1,192,696 (FY 2008)	1,200,102 (FY 2009), 1,207,692 (FY 2010)