

The forecast of sales tax revenue for public education is reduced for fiscal years 2008 through 2010; this results in an off-setting increase in the state and local shares of Basic Aid costs. The net reduction in state funding is \$5.7 million in FY08, \$10.9 million in FY09, and \$14.7 million in FY10. Funding for VRS retirement is reduced by \$15.2 million in FY09 and \$15.4 million in FY10 by reducing the employer contribution rate from 9.35% to 8.81%.

The Governor's plan also recommends a \$55 million reduction in the School Construction Grants Program funding over the 2008-2010 biennium, and shifts 50% (\$165.7 million over the biennium) of locally distributed lottery proceeds to fund the state share of Basic Aid. The Governor also proposes reductions (\$4.6 million in FY09; \$5.5 million in FY10) in the expansion funding for the Virginia Preschool Initiative by recognizing 75% (vs. 100%) of reduced lunch students in the funding formula.

Please note that the funding changes recommended by the Governor on February 12 are not actual amendments to the introduced budget bills (HB/SB 29 and HB/SB 30) that are before the General Assembly for action. They are recommendations only and do not alter the budget bills introduced by the Governor in December. Detail on the Governor's recommended budget reduction plan is available at: <http://www.governor.virginia.gov/Initiatives/Legislation2008/CombinedPlan02-12-08.pdf>.

Summary of Major Elements

The House and Senate are scheduled to release their respective changes to the introduced budgets on February 17, 2008. This report will provide Board members with a summary of the House and Senate budget versions to be adopted by their respective bodies. The status of key education bills also will be summarized.

Superintendent's Recommendation: The Superintendent of Public Instruction recommends that the Board of Education accept the report.

Impact on Resources: The final actions of the General Assembly will determine fiscal impact.

Timetable for Further Review/Action: None