Attachment A

Superintendent’s Memo #286-19

**Summary of Governor Northam’s Proposed Amendments to the 2018-2020 Biennial Budget and Impact on Fiscal Year 2020 (“Caboose Bill”)**

This document summarizes the budget amendments proposed by Governor Northam to the current 2018-2020 biennial budget (i.e., Chapter 864, 2019 Acts of Assembly) and the impact it has on fiscal year (FY) 2020. The introduced budget bill to the 2020 General Assembly containing FY 2020 amendments is House Bill (HB) 29/Senate Bill (SB) 29.

Information related to the Direct Aid to Public Education and the Virginia Department of Education (VDOE) Central Office budget is organized as follows:

[**Section A: Amendments to the Direct Aid to Public Education Budget**](#bookmark=id.1fob9te)

1. [Technical Updates to Existing Direct Aid Programs Included in HB 29/SB 29](#bookmark=id.3znysh7)

[**Section B: Amendments to the VDOE Central Office Budget**](#bookmark=kix.rni8rcmsjvtg)

1. [Technical Updates to the VDOE Central Office Budget Included in HB 29/SB 29](#bookmark=kix.4u0x2eoclnzn)

## A. 2018-2020 DIRECT AID TO PUBLIC EDUCATION BUDGET

### 1. Technical Updates to Existing Direct Aid Programs Included in HB 29/SB 29

#### Update Average Daily Membership (ADM) and Fall Membership

**Governor** - Projections of unadjusted and adjusted March 31 Average Daily Membership (ADM) for FY 2020 are revised for each school division based on the latest actual ADM and fall membership data available. Projected ADM was originally forecasted by the VDOE based on actual data through September 30, 2018, fall membership. The most recent projections contained in the introduced budget amendments have been revised based on actual March 31, 2019, ADM and September 30, 2019, fall membership.

Statewide, the revised unadjusted ADM projections are 3,502 students higher in FY 2020 than the original projections contained in Chapter 854. The ADM-based payments for FY 2020 have been recalculated based on the revised projections. In addition, all accounts that are allocated on the basis of fall membership have been updated for actual fall membership in FY 2020. The ADM and fall membership updates result in an estimated increase in Direct Aid payments of $21.1 million in FY 2020.

#### Update Sales Tax Projection

**Governor** - The Governor’s amendments reflect the most recent estimate of sales tax revenue dedicated to public education for FY 2020, as calculated by the Virginia Department of Taxation. The revised estimate of sales tax revenues includes 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 payments contained in the Excel template, shown as a single revenue line-item, reflect the revised estimates for these two sales tax sources.

The Virginia Department of Taxation’s latest estimate of the one percent and one-eighth percent sales tax revenue is $1,499.2 million for FY 2020. This revised estimate is approximately $12.9 million higher than the projection contained in Chapter 854. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been adjusted to reflect the decreased state share of cost resulting from the projected increase in sales tax revenues. The amount of the Basic Aid offset depends on each division’s composite index of local ability-to-pay. The state's share of Basic Aid decreases approximately $7.2 million in FY 2020. 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 $5.7 million in FY 2020.

#### Update Lottery Revenue Estimate

**Governor -** The amended budget decreases the Lottery proceeds estimate to $613.4 million in FY 2020, as compared to the projections contained in Chapter 854. The amended budget uses general funds to replace the loss of Lottery proceeds.

#### Technical Updates to Standards of Quality (SOQ), Incentive, Categorical, Lottery-funded, and Supplemental Education Accounts

**Governor** - Various technical adjustments have been made to SOQ, Incentive, Categorical, Lottery-funded, and Supplemental Education 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 $11.4 million in FY 2020 based on these updates. More details regarding these adjustments is discussed in the following paragraphs:

* SOQ Technical Updates

In addition to the SOQ updates mentioned above, the amended budget includes updates to the Remedial Summer School program in FY 2020. Funding for Remedial Summer School program decreased by $2.8 million in FY 2020, based on actual participation in Summer 2019. In addition, state funding for English as a Second Language increases by $2.8 million in FY 2020 based on actual fall 2019 enrollment.

* Incentive Technical Updates

Funding for the Governor’s Schools program is reduced by $0.1 million in FY 2020, based on actual enrollment in FY 2020. Special Education Regional Tuition is reduced by $7.4 million in FY 2020 based on actual costs in FY 2019 and projected program enrollment in FY 2020. Virginia Preschool Initiative Plus (VPI+) is reduced by $3.7 million in FY 2020 based on actual enrollment in FY 2020. The Compensation Supplement is reduced by $1.3 million in FY 2020 based on actual participation by school divisions and Governor’s Schools. Virginia Public School Authority (VPSA) Educational Technology Grants decreased by $2.3 million in FY 2020 based on updates for schools reporting fall membership for FY 2020, and for schools’ 2019-2020 accreditation status used in calculating grants under the e-Learning Backpack Initiative.

* Categorical Technical Updates

The amended budget recognizes savings to Categorical accounts of approximately $0.3 million in FY 2020 based on actual program participation. Funding for the Special Education State Operated Programs account decreased by approximately $0.2 million in FY 2020 based on program participation in FY 2019. Funding for Special Education Jails decreased by $0.1 million in FY 2020 based on program participation in FY 2019.

* Lottery Technical Updates

The amended budget includes technical updates based on actual participation and revised estimates to Lottery-funded accounts. All of the changes listed in the following paragraph are based on updated participation factors as submitted by school divisions.

Funding for the Virginia Preschool Initiative is increased by approximately $0.9 million in FY 2020 based on actual participation. Funding for K-3 Primary Class Size Reduction is reduced by approximately $2.8 million in FY 2020 based on actual participation in eligible schools. Funding for the Early Reading Intervention program increases by $4.0 million in FY 2020. Funding for Standards of Learning Algebra Readiness increased by $0.2 million in FY 2020. Funding for School Breakfast decreases by $0.9 million in FY 2020. Funding for Foster Care decreases by $0.2 million in FY 2020.

* Supplemental Education Service Area Updates

Funding for the National Board Certification Bonus Program is reduced by $0.4 million in FY 2020 for the actual number of teachers who hold National Board Certifications and who are eligible for the bonus payment in FY 2020.

## B. 2018-2020 VDOE CENTRAL OFFICE BUDGET

### 1. Technical Updates to the VDOE Central Office Budget Included in HB 29/SB 29

#### Carry-over of Seclusion & Restraint Funding to Fiscal Year 2021

**Governor** – The introduced budget adds language that allows unexpended funds provided to school divisions for the implementation of the Board of Education’s Regulations Governing the Use of Seclusion and Restraint in Public Elementary and Secondary Schools in Virginia as of June 30, 2020, to be carried on the books of the locality and appropriated to the school divisions in FY 2021 for the same purpose.