



COMMONWEALTH of VIRGINIA
DEPARTMENT OF EDUCATION

DATE: May 18, 2023
TO: Division Superintendents
FROM: Dr. Lisa Coons, Superintendent of Public Instruction
SUBJECT: **State Direct Aid to Public Education Funds Permitted to be Carried Forward from Fiscal Year 2023 to Fiscal Year 2024**

This memorandum provides information related to the authority of localities to carry-forward state funds from fiscal year (FY) 2023 to FY 2024, pursuant to Item 137 B.24.a of Chapter 2, 2022 Special Session I Acts of Assembly (i.e., 2022 Appropriation Act).

Section 22.1-100, *Code of Virginia*, requires school divisions to return unexpended state funds to the Commonwealth at the close of each fiscal year. Chapter 2 overrides this *Code* section and permits localities/school divisions that have met required local effort and required local match for fiscal year 2023 to carry forward to fiscal year 2024 any remaining state Direct Aid fund balances that are unexpended as of June 30, 2023. Specifically, the appropriation act language (Item 137 B.24.a.) for fiscal year 2023 reads as follows:

“Any locality that has met its required local effort for the Standards of Quality accounts for FY 2023 and that has met its required local match for incentive or Lottery-funded programs in which the locality elected to participate in FY 2023 may carry over into FY 2024 any remaining state Direct Aid to Public Education fund balances available to help minimize any FY 2024 revenue adjustments that may occur in state funding to that locality. Localities electing to carry forward such unspent state funds must appropriate the funds to the school division for expenditure in FY 2024.”

This language permits school divisions to use carry forward funds to address any revenue shortfall related adjustments in state funding to the locality, regardless of the original purpose of

such funds. The adopted language requires the state carry forward funds to be reappropriated by the local governing body to the school division's budget for fiscal year 2024.

This provision does not alter the existing requirement that school divisions must spend the fiscal year 2023 required local effort and required local match amounts before the end of fiscal year 2023, which ends on June 30, 2023.

Chapter 2 also encourages certain local funds to be carried over into fiscal year 2024 pursuant to the following language (Item 137 B.25.):

"Localities are encouraged to allow school boards to carry over any unspent local allocations into the next fiscal year."

To be eligible to carry forward any local fund balances from fiscal year 2023 to fiscal year 2024, school divisions must meet their required local effort and required local match expenditure obligations in fiscal year 2023.

Chapter 2 provides separate carry forward authority (Item 137 C.5.f.4) for the Textbooks account, which reads as follows:

"Any funds provided to school divisions for textbook costs that are unexpended as of June 30, 2023, or June 30, 2024, shall be carried on the books of the locality to be appropriated to the school division the following year to be used for same purpose. School divisions are permitted to carry forward any remaining balance of textbook funds until the funds are expensed for a qualifying purpose."

A school division must first meet all required local effort and required local match obligations in the current fiscal year prior to carrying forward any portion of its state or local funds for Textbooks to the next fiscal year. If a division meets these requirements without spending all or a portion of its local matching funds for Textbooks (i.e., they meet their required local effort and required local match for all other required Direct Aid accounts), then the division is permitted to carry forward both the state and local shares of Textbooks funding.

Chapter 2 contains the same language for the same carry forward of funds from fiscal year 2024 to fiscal year 2025.

If you have any questions regarding this information, please contact the budget office staff at (804) 225-2025 or by email at DOEBUDGETOFFICE@doe.virginia.gov.

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