



COMMONWEALTH of VIRGINIA
Department of Education

June 10, 2016

TO: Division Superintendents

FROM: Steven R. Staples, Superintendent of Public Instruction

SUBJECT: Final Fiscal Year 2016 State Payments Based on Actual March 31, 2016, ADM and Adjustments to the Fiscal Year 2016 Basic Aid State Payment

Pursuant to Chapter 732, 2016 Acts of Assembly (i.e., 2016 Amendments to the 2015 Appropriation Act), school divisions were required to report average daily membership (ADM) as of March 31, 2016, to the Department of Education. The data reported by divisions were used to recalculate all ADM-based state payments for fiscal year 2016. On a statewide basis, actual March 31, 2016, unadjusted ADM was 221.53 more than the projected unadjusted ADM on which the current state budget for fiscal year 2016 (Chapter 732) is based; however, when considering the state share of ADM based on each division's composite index, actual March 31, 2016, unadjusted ADM was 3.29 students less than the projection used for the Chapter 732 budget. Consequently, school divisions will receive their full ADM-based general fund and Lottery state payments for fiscal year 2016 with no changes other than the routine adjustments that are made to the Basic Aid payment for some divisions each year as described later in this memorandum.

Virginia Retirement System (VRS) state payments are, in part, supported by the Literary Fund and are subject to the final deposit of actual Literary Fund revenues. In the event that actual Literary Fund revenue for fiscal year 2016 does not meet the estimate contained in Chapter 732, the VRS account may be prorated if other Direct Aid balances are not sufficient to make up any shortfall.

Payments for accounts supported by the Lottery Proceeds Fund are subject to the final deposit of actual Lottery proceeds for fiscal year 2016. In the event that actual Lottery revenue for fiscal year 2016 does not meet the estimate contained in Chapter 732, the Textbooks account in the Lottery Service Area will be prorated first to address any shortfall, with additional accounts to follow if the shortfall exceeds the remaining payment amount for Textbooks. For more information about this proration, if necessary for fiscal year 2016, please review the section titled "Incentive, Categorical, and Lottery-Funded Accounts" below. The semi-monthly Standards of Quality (SOQ) and Lottery account payments for fiscal year 2016 will be adjusted for actual March 31 ADM beginning with the June 16, 2016, electronic funds transfer (EFT).

The information in this memorandum contains the final state funding due to school divisions (as of the date of this memorandum) in fiscal year 2016 for ADM-based accounts. Also, where available, final payments are shown for other Direct Aid to Public Education accounts that are not calculated based on ADM. Payments for some accounts that require school divisions to submit reimbursements have not been finalized for the year so the payment amounts shown are estimates only.

The Excel calculation file referenced in this memorandum shows state payments, required local effort for the SOQ accounts, and required local matches for Lottery-funded accounts calculated based on actual March 31, 2016, ADM. The accounts affected by actual March 31, 2016, ADM appear in the Excel file in bold font.

Please note that, unlike previous Excel calculation files for fiscal year 2016 provided by the Department, this file does not offer an option to change ADM for fiscal year 2016 since ADM is now final. The calculation template can be downloaded from the Department of Education Web site at:

http://www.doe.virginia.gov/school_finance/budget/calc_tools/index.shtml.

For assistance downloading the Excel calculation template, please refer to the instructions available at the following link:

http://www.doe.virginia.gov/school_finance/filedownload_instructions.shtml.

Attachment A to this memorandum shows the final fiscal year 2016 payments for each school division for the SOQ and Lottery-funded accounts that are based on actual March 31, 2016, ADM. Also included in the calculation template are the routine adjustments to the fiscal year 2016 state Basic Aid payment amounts, which are explained in further detail below.

Please note the following when reviewing the data contained in the Excel file:

1. **Basic Aid:** The fiscal year 2016 state Basic Aid payment amount contained in the “State & Local Funds Summary” sheet in the Excel calculation file reflects any required adjustments for circumstances such as overpayments or payments made on behalf of school divisions to the Virginia School for the Deaf and the Blind, state mental health facilities, and for driver’s education. The adjustments made to fiscal year 2016 Basic Aid payments for payments made on behalf of school divisions are described below and are listed in the sheet labeled “Adjustments to FY 2016 Basic Aid.” The total amount to be paid to school divisions in fiscal year 2016 for Basic Aid from state general funds is also provided in this sheet.
2. **Sales Tax:** The fiscal year 2016 sales tax estimates contained in the Excel calculation file represent the Department of Taxation’s official forecast of sales tax included in the Chapter 732 budget. The sales tax estimates contained in Chapter 732 must be used to compute the Basic Aid payment for fiscal year 2016. Chapter 732 specifically states:

“... In the event that the actual revenues from the state sales and use tax dedicated to public education and those sales tax revenues transferred to the general fund from the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund and appropriated in this Item (both of which are returned on the basis of the latest yearly estimate of school age population provided by the Weldon Cooper Center for Public Service) for sales in the fiscal year in which the school year begins are different from the number estimated as the basis for this appropriation, the estimated state sales and use tax revenues shall not be adjusted.”

3. **Incentive, Categorical and Lottery-Funded Accounts:** Incentive accounts represent the full state payment, assuming actual participation in fiscal year 2016. The state payments listed for certain Lottery and Categorical accounts do not reflect final participation or reimbursement levels for the year and are shown as estimated payments only.

In addition, if actual Lottery proceeds for fiscal year 2016 do not meet the estimate contained in the Chapter 732 budget, the Textbook per pupil amount will be reduced to prevent payments for Lottery-funded accounts from exceeding available Lottery proceeds. In the event this situation occurs, Textbook account payments will continue to be adjusted through the end of the fiscal year as balances become available and final remaining deposits from the Lottery Department are received. The final deposit of Lottery proceeds for fiscal year 2016 will not be received by the Department of Education until on or around June 22nd, so school divisions can only be notified by e-mail about final Lottery payments prior to the June 30th EFT. Therefore, divisions will need to monitor receipts carefully through June 30th for Lottery-funded accounts.

4. **VPSA Educational Technology:** VPSA Educational Technology (i.e., SOL Web-based Technology Initiative) payments reflect the total amount that is allocated to the school division for the note issue

offered in the designated year. They do not reflect actual reimbursement payments requested and paid to the school division. Please be aware that payments for regional programs are included in school division fiscal agent totals; however, actual reimbursements for the spring 2016 issue may be made directly to regional programs from State Non-Arbitrage Program (SNAP) accounts if SNAP accounts are established separately for the regional program.

Adjustments to the Fiscal Year 2016 Basic Aid State Payment for Certain School Divisions

As in past years, the Department's normal practice for making certain types of adjustments to school division payments is to adjust Basic Aid since it is the largest Direct Aid account. The appropriation act directs that adjustments for the local share of cost of educating students in mental health facilities, and adjustments for divisions ineligible to receive Driver Education funds be made against a school division's Basic Aid payment. Similar adjustments to Basic Aid are made for local tuition for students attending the Virginia School for the Deaf and the Blind. Consequently, various adjustments will be made to the fiscal year 2016 state Basic Aid payments for certain school divisions beginning with the June 16, 2016, EFT. Where applicable, these adjustments will reduce the fiscal year 2016 Basic Aid state payment made to school divisions. As noted above, the estimated adjustments to Basic Aid (as of the June 16, 2016, EFT) are shown in the sheet labeled "Adjustments to FY 2016 Basic Aid." Pursuant to Chapter 732, 2016 Acts of Assembly, the Basic Aid adjustments for fiscal year 2016 shown in the Excel file are as follows:

1. **Driver Education Funds Portion of Basic Aid** – This adjustment reduces the Basic Aid state payment for school divisions that are not eligible to receive state Driver Education funds in fiscal year 2016.
2. **Mental Health Local Share of Cost** – This adjustment is for the school division's share of the cost of educating children in state mental health hospitals. The data used to calculate this adjustment are based on the 2014-2015 school year.
3. **Local Tuition for the Virginia School for the Deaf and the Blind** – This adjustment is for the local tuition payments for students enrolled at the Virginia School for the Deaf and the Blind (VSDB). If you have students from your school division enrolled at VSDB during the 2015-2016 school year (fiscal year 2016), §22.1-348, *Code of Virginia*, and Virginia Board of Education regulation 8VAC20-81-270.H. require the Department of Education to adjust your state Basic Aid payment to capture the local share of the cost of educating these students. These funds are then transferred to the VSDB to offset the cost of educating the students. This adjustment is based on the December 1, 2015, school enrollment.

Reporting Basic Aid Adjustments on the 2015-2016 Annual School Report

In order to maintain proper accounting for adjustments made to Basic Aid state payments for payments made on behalf of school divisions (adjustments two and three above), it is necessary for each school division to report the full state payment or gross revenue of Basic Aid funds under revenue source code 240202 (Basic School Aid) on the 2015-2016 Annual School Report. To balance this gross Basic Aid revenue on the 2015-2016 Annual School Report, school divisions with adjustments for mental health facilities or the Virginia School for the Deaf and the Blind should report these adjustment amounts as expenditures in the Instruction Function (61000) and Object Code 3000 (Purchased Services), using the appropriate Program Codes.

For those divisions where the final Basic Aid payment was adjusted for non-eligibility for Driver Education funds as indicated in item one above, the amount of the overpayment will be deducted from your unadjusted or full Basic Aid state payment as shown in the Annual School Report. The reduced Basic Aid state payment amount will be shown on the "Revenues" worksheet under revenue source code 240202 on your Annual School Report. No further reporting action is required, since the adjusted Basic Aid state payment will show the reduction, but school divisions should make note of this adjustment and can reference Attachment B to this memorandum for further detail on the three adjustments to the fiscal year 2016 Basic Aid state payment.

If you have any questions concerning the information in this memorandum, please contact Kent Dickey, deputy superintendent for finance and operations, or budget office staff at (804) 225-2025.

Attachments:

- A. [Payment Sheets FY 2016 - Chapter 732, 2016 Acts of Assembly](#) (PDF)
- B. [Adjustments to FY 2016 Basic Aid Payments](#) (PDF)