December 20, 2023

**Summary of Governor Youngkin’s Proposed Amendments to the 2022-2024 Biennial Budget and Impact on Fiscal Year 2024 (“Caboose Bill”)**

This document summarizes the budget amendments proposed by Governor Youngkin to the current 2022-2024 biennial budget (i.e., Chapter 1, 2023 Special Session I Acts of Assembly) impacting fiscal year (FY) 2024 funding and budget language. The introduced budget bill to the 2024 General Assembly containing the Governor’s FY 2024 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 budgets 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)
2. [Language-Only Amendments to Direct Aid Programs Included in HB 29/SB 29](#_heading=h.1fob9te)

## A. 2022-2024 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 2024 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, 2022, fall membership. The most recent projections contained in the introduced budget amendments have been revised based on actual March 31, 2023, ADM and September 30, 2023, fall membership.

Statewide, the revised unadjusted ADM projections are 9,570 students, or 0.78 percent, lower in FY 2024 than the original projections contained in the Chapter 1 budget. The ADM-based payments for FY 2024 have been recalculated based on the revised projections. In addition, all accounts that are allocated using fall membership have been updated for actual fall membership in FY 2024. The ADM and fall membership updates result in an estimated decrease in state Direct Aid payments of $59.5 million in FY 2024.

#### Update Sales Tax Projection

**Governor** - The Governor’s amendments reflect the most recent estimate of sales tax revenue dedicated to public education for FY 2024, 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 calculation 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 $1.65 billion for FY 2024. This revised estimate is $161.5 million lower than the projection contained in Chapter 1. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been adjusted to reflect the increased state share of cost resulting from the projected decrease 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 increases $90.1 million in FY 2024. The net change in state funding to school divisions (due to both the estimated sales tax revenue decrease and the state share Basic Aid offset) is a decrease of $71.4 million in FY 2024.

#### Update Lottery Revenue Estimate

**Governor -** The amended budget increases the Lottery proceeds estimate by $89.5 million to $944.7 million in FY 2024, as compared to the projections contained in the Chapter 1 budget. The amended budget decreases the need for general funds due to the increase in estimated 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 $62.2 million in FY 2024 based on these updates. More details regarding these adjustments are 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 2024. Funding for the Remedial Summer School program decreases by $2.7 million in FY 2024, based on actual participation in Summer 2023. In addition, state funding for English as a Second Language decreases by $4.0 million in FY 2024 based on actual fall 2023 enrollment.

* Incentive Technical Updates

Funding for the Governor’s Schools program increases by $0.3 million in FY 2024, based on actual enrollment in FY 2024. Funding for the Virginia Preschool Initiative decreases by approximately $29.3 million in FY 2024 based on actual participation. State payments for the Compensation Supplement decrease by $6.4 million in FY 2024 based on actual participation by school divisions and Governor’s Schools. The At-Risk Add-on decreases by $1.7 million based on actual participation by school divisions.

* Categorical Technical Updates

The amended budget recognizes state payment increases to Categorical accounts of approximately $0.9 million in FY 2024 based on actual program participation. Nearly all increases are attributable to the Special Education Homebound program, which increases based on program participation in FY 2023.

* Lottery Technical Updates

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

Funding for K-3 Primary Class Size Reduction decreases by approximately $5.7 million in FY 2024 based on actual participation in eligible schools. Funding for the Early Reading Intervention program decreases by $6.4 million in FY 2024 based on updated reading diagnostic data. Funding for School Breakfast decreases by $5.5 million in FY 2024 based on actual meals served above the baseline in FY 2023. Funding for Foster Care decreases by $1.1 million in FY 2024 based on children served in FY 2023.

* Supplemental Education Service Area Updates

Funding for the National Board Certification Bonus Program decreases by $0.6 million in FY 2024 for the actual number of teachers who hold National Board Certification and who are eligible for the bonus payment in FY 2024.

### Language-Only Amendments for Direct Aid Programs Included in HB 29/SB 29

#### Alternative Education Slots

**Governor** - The amended budget includes language directing VDOE to prorate the applications for regional alternative education slots during the biennial rebenchmarking process to ensure that the statewide total does not exceed 1,798 student slots for the program.

#### ALL In Funding Initiative

**Governor** - The introduced budget clarifies that ALL In VA initiative funding allocations to divisions are frozen based on the allocations provided in the Chapter 1, 2023 Special Session I budget and are not subject to any further technical adjustments, such as updates for final March 31, 2024, average daily membership.