# Summary of Budget Amendments Affecting K-12 and Early Education in the Introduced Budget for the 2024-2026 Biennium (House Bill 30/Senate Bill 30)

This document summarizes the budget proposals introduced by Governor Youngkin for the 2024-2026 biennium impacting the Direct Aid to Public Education and the Virginia Department of Education (VDOE) Central Office budgets. Recommended funding changes are made for the 2024-2026 biennium using fiscal year (FY) 2024 from the Chapter 1 budget, which was adopted at the 2023 Special Session I General Assembly session in September, as the base budget. The proposed budget bill for the 2024-2026 biennium is introduced as House Bill (HB) 30/Senate Bill (SB) 30.

Information related to the Governor’s proposals for the Direct Aid to Public Education and the VDOE Central Office budgets for 2024-2026 is organized in the following sections:

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

[Technical Updates to Existing Direct Aid Programs Included in HB 30/SB 30](#bookmark=id.3znysh7)

[Direct Aid Budget Policy Changes Included in HB 30/SB 30](#bookmark=id.2et92p0)

[Direct Aid Budget Language Changes Included in HB 30/SB 30](#bookmark=id.tyjcwt)

[**Section B: Amendments to the VDOE Central Office Budget**](#bookmark=id.1t3h5sf)

[Amendments to VDOE Central Office Budget Included in HB 30/SB 30](#bookmark=id.4d34og8)

[VDOE Central Office Budget Language Changes Included in HB 30/SB 30](#_2._Language-Only_Amendments)

## A. 2024-2026 DIRECT AID TO PUBLIC EDUCATION BUDGET

### 1. Technical Updates to Existing Direct Aid Programs Included in HB 30/SB 30

#### Rebenchmark Direct Aid Costs for 2024-2026 (as presented to the Board of Education in December 2023)

**Governor** - The introduced budget includes the state’s share of routine rebenchmarking of costs for all Standards of Quality (SOQ) and other Direct Aid programs. These technical adjustments include updates for factors such as funded salaries, Annual School Report data used to calculate prevailing costs, inflation factors, Standards of Learning (SOL) test score updates, enrollment updates, free lunch data updates, and projected caseloads for Lottery, incentive and categorical programs. The 2024-2026 Board of Education rebenchmarking presentation, dated December 12, 2023, provides additional information used to make these technical updates. These adjustments reflect the cost of continuing current programs with the required biennial data updates used in the funding formulas, and do not reflect any changes in policy. For FY 2025, routine rebasing of costs for the SOQ and other Direct Aid programs results in an increase in state cost of $72.6 million. For FY 2026, the increase in state cost is $87.9 million.

#### Updates to Enrollment Projections Subsequent to the Rebenchmarking Budget Presented to the Board of Education in December 2023

**Governor** - The introduced budget includes updates to enrollment projections (subsequent to the rebenchmarking presentation to the Board of Education) based on actual September 30, 2023, fall membership, as reported by school divisions on the Fall Student Records Collection. The updated statewide projections of March 31 average daily membership (ADM) are 1,212,152 in FY 2025 and 1,209,773 in FY 2026, representing 0.40 percent and 0.59 percent reductions in the ADM projections, respectively. These updates reduce state payments to school divisions by $36.0 million in FY 2025 and by $54.7 million in FY 2026.

#### Other Technical Updates to Direct Aid Accounts for 2024-2026 Subsequent to the Rebenchmarking Budget Presented to the Board of Education in December 2023

**Governor -** The introduced budget includes the state’s share of cost for additional technical updates related to the rebenchmarking process that were completed subsequent to the presentation to the Board of Education in December 2023. These technical adjustments include updates to factors such as, but not limited to, inflation adjustments, CTE enrollment data, SOL test failure rate data, and caseloads for Lottery, incentive and categorical programs. These adjustments reflect the cost of continuing current programs with the required data updates used in the funding formulas, and do not reflect any changes in policy. These updates decrease the state’s share of cost by $19.7 million in FY 2025 and by $20.7 million in FY 2026.

#### Updates for the Recalculation of the Local Composite Index (LCI) for 2024-2026

**Governor** - The [2024-2026 Composite Index of Local Ability-to-Pay](https://www.doe.virginia.gov/home/showpublisheddocument/51057/638359776428800000) was recalculated using 2021 base-year data provided by the Department of Taxation for adjusted gross income, taxable retail sales, and the true value of real property. The estimates of local population for 2021 are provided by the Weldon Cooper Center for Public Service at the University of Virginia, and the March 31, 2022, Average Daily Membership (ADM) is based on data reported by school divisions to VDOE. These adjustments reflect required data updates used in the composite index formula, and do not reflect any changes in policy. Updating Direct Aid accounts based on the recalculated 2024-2026 LCI decreases the state’s share of Direct Aid funding by $30.8 million in FY 2025 and by $30.5 million in FY 2026. The funding impact on school divisions varies depending on whether a school division’s LCI increased or decreased compared to its 2022-2024 LCI.

#### Update Sales Tax Projections

**Governor** - The introduced budget reflects the most recent estimates of sales tax revenue dedicated to public education for FY 2025 and FY 2026, as computed by the Department of Taxation. These updates are technical in nature and reflect the latest economic forecast with no changes in policy regarding the sales tax base itself. The revised sales tax estimates include 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 entitlement contained in the Excel calculation template reflects the revised estimates for these two sales tax sources combined as a single revenue line item.

The Department of Taxation’s latest estimate of the one percent and one-eighth percent sales tax revenue is $1.71 billion for FY 2025 and $1.78 billion for FY 2026. These revised sales tax estimates are approximately $105.6 million lower in FY 2025 and $36.1 million lower in FY 2026 than the FY 2024 estimate in Chapter 1. As required by the Basic Aid funding formula, estimated payments have been adjusted to reflect the increase in the state share of Basic Aid resulting from the projected decrease in sales tax revenues both years.

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 approximately $58.6 million in FY 2025 and $20.0 million in FY 2026 due to the revised sales tax estimates. The net change in state funding to school divisions (due to both the estimated sales tax revenue decrease and the offsetting Basic Aid increase) is a decrease of $47.0 million in FY 2025 and a decrease of $16.1 million in FY 2026.

#### Update Lottery Revenue Estimate

**Governor** - In line with the broader economic forecast, total Lottery proceeds are projected to decrease by $2.3 million to $852.9 million in FY 2025 and by $2.3 million to $852.9 million in FY 2026, compared to the FY 2024 Lottery estimate in Chapter 1. The total projected Lottery amounts in FY 2025 and 2026 are being used to fund the state share of the cost of various programs, such as the Infrastructure and Operations Per Pupil Fund, Early Reading Intervention, K-3 Primary Class Size Reduction, Special Education Regional Tuition, and SOL Algebra Readiness.

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### 2. Direct Aid Budget Policy Changes Included in HB 30/SB 30

#### Update Employer Contribution Rates for Virginia Retirement System (VRS) Fringe Benefits

**Governor** - The introduced budget proposes decreases to employer contribution rates for instructional retirement benefits in 2024-2026 (15.23 percent for FY 2025 and 2026) than was funded for FY 2024. The prevailing non-professional VRS rate has been updated and is funded at 7.93 percent for both years of the biennium. This prevailing rate is used for state funding purposes only; the actual non-professional rate charged to school divisions by VRS will vary by school division. For the retiree health care credit, the rates proposed for 2024-2026 reflect the same rate from FY 2024 for FY 2025 and 2026 (1.21 percent). These rate changes decrease state funding by $57.2 million in FY 2025 and $57.2 million in FY 2026 compared to costs based on the FY 2024 rates used in the Chapter 1 budget.

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| **FUNDED EMPLOYER CONTRIBUTION RATES FOR BENEFITS** | **FY 2024** | **Proposed FY 2025** | **Proposed FY 2026** |
| Instructional & Professional Support VRS (Employer Share) (Does not include RHCC - see below) | 16.62% | 15.23% | 15.23% |
| Instructional & Professional Support VRS (Employee Share) | 5.00% | 5.00% | 5.00% |
| **Total Instructional & Professional Support VRS Rate** | 21.62% | 20.23% | 20.23% |
| Group Life (Employer Share) | 0.54% | 0.54% | 0.54% |
| Retiree Health Care Credit (*Paid as part of the VRS Instructional retirement per pupil amount)* | 1.21% | 1.21% | 1.21% |
| Non-professional Support VRS | 7.00% | 7.93% | 7.93% |
| Social Security | 7.65% | 7.65% | 7.65% |
| Health Care Premium | $6,171 | $6,425 | $6,425 |
| Total Instructional Benefit Percent (Employer Share) | 26.02% | 24.63% | 24.63% |
| Total Non-professional Support Benefit Percent (Employer Share) | 15.19% | 16.12% | 16.12% |

#### Fund the State Share of a Compensation Supplement for Funded SOQ Instructional and Support Positions in FY 2026

**Governor** - The introduced budget provides a 2.0 percent salary increase in FY 2026 with an effective date ofJuly 1, 2025. The state funding is calculated with an effective date of July 1, 2025, for funded SOQ instructional and support positions, Academic Year Governor’s Schools, and Regional Alternative Education Programs. Funded SOQ instructional positions include teacher, school counselor, librarian, instructional aide, principal, and assistant principal positions funded through the SOQ staffing standards for each school division. School divisions must certify to VDOE that they will provide an average 2.0 percent increase in FY 2026 to be eligible for full state funding. School divisions that provide at least an average 1.0 percent salary increase would be eligible for prorated state funding in FY 2026.

The introduced budget provides $122.8 million in FY 2026 for the state share of the compensation supplements described above, to school divisions which certify to VDOE that the minimum salary increases described above will be provided to instructional and support personnel in FY 2026. A required local match based on the division LCI is required in FY 2026.

#### Expand State Funding for Reading Specialists to K-8

**Governor** - The introduced budget increases state funding to expand reading specialists funded in Basic Aid to eighth grade. This proposal matches the reading specialist staffing standard in Chapter 646, which was adopted during the 2023 General Assembly. This proposal provides an additional $30.5 million in state funding to school divisions in FY 2025 and $30.7 million in FY 2026.

#### Remove Funding Cap for Supplemental Basic Aid

**Governor** - The introduced budget removes the cap on funding for Supplemental Basic Aid, which was originally enacted by Chapter 589, 2008 General Assembly. At the present time, this proposal only affects Rappahannock County. This proposal increases state payments to Rappahannock County by $1.8 million in FY 2025 and by $1.7 million in FY 2026.

#### Remove LCI Cap for Virginia Preschool Initiative State Payments

**Governor** - State payments to school divisions for the Virginia Preschool Initiative (VPI) have been calculated using a cap on the local composite index of 0.5000. The LCI cap has resulted in the state paying a minimum of 50.0 percent share of costs for VPI slots. The introduced budget removes the cap on LCI in the calculation of state payments for VPI. This proposal reduces state payments by $11.6 million in FY 2025 and $11.7 million in FY 2026. These funds are redirected to the Central Office budget for the Child Care Subsidy Program.

#### Non-Participation Rate for Virginia Preschool Initiative Slots

**Governor** - The introduced budget assumes a non-participation rate of 32.5 percent in FY 2025 for Virginia Preschool Initiative slots and a non-participation rate of 33.0 percent in FY 2026, consistent with the actual non-participation rate from fiscal year 2023. This proposal removes $56.1 million in FY 2025 and $56.8 million in FY 2026 in state funding from the VPI program. School divisions will be paid based on actual slots filled during FY 2025 and FY 2026 and based on the availability of state funding. The removed funds are redirected to the VDOE Central Office budget for the Child Care Subsidy Program. In addition, a language amendment discussed further below specifies that any unexpended VPI funds each year are redirected to the Central Office budget for the Child Care Subsidy Program if there is unmet parental demand.

#### Reduce State Funding for Specific Virginia Preschool Initiative Slot Categories

**Governor** - The introduced budget reduces the amounts funded for specific VPI slot categories, such as three-year-olds, expanded class sizes, and service of children on wait lists, based on actual participation levels in previous years. This proposal reduces state funding for these types of VPI slots by $12.0 million in FY 2025 and FY 2026. School divisions that serve children in these categories will receive state funds based on actual students served in FY 2025 and FY 2026 and availability of state funding. These funds are redirected to the Central Office budget for the Child Care Subsidy Program.

#### School Construction Assistance Program

**Governor** - The introduced budget recognizes $80.0 million in FY 2025 and FY 2026 to be transferred from casino gaming proceeds to the School Construction Fund. These funds will be reserved for the School Construction Assistance Program, which is a competitive grant program supporting school construction and renovation. No changes are proposed to the budget language governing the program.

#### Literary Fund Transfer for VRS Retirement

**Governor** - The introduced budget provides a transfer from the Literary Fund to support the state’s share of cost for teacher retirement payments to school divisions. These updates decrease general fund support for teacher retirement by $150.0 million in FY 2025 and FY 2026. This action does not affect division per pupil amounts or projected entitlements for VRS retirement in FY 2025 or 2026 and is only a change in the source of funding.

#### One-Time Funds to Virginia Retirement System for Teacher Retirement

**Governor** - The introduced budget provides $115.0 million from the general fund and $235.0 million from the Literary Fund to make a one-time payment to the Virginia Retirement System for unfunded liabilities in the teacher retirement plan.

#### College Partnership Laboratory School Fund

**Governor** - The introduced budget proposes an additional $30.0 million in FY 2025 and FY 2026 from the general fund to be deposited into the College Partnership Laboratory School Fund. These additional funds would support operational per pupil grant funds for programs that have signed a contract with the Board of Education.

**Provide Supplemental Funding to Accomack County and Northampton County**

**Governor** - The introduced budget provides supplemental state funding to Accomack and Northampton Counties for teacher recruitment and retentions, including adjustments to salary scales to minimize the misalignment of salary scales of adjacent counties. This proposal provides $0.8 million in FY 2025 and FY 2026.

#### Fund the State’s Share of a One-Time Bonus Payment for Funded SOQ Instructional and Support Positions in FY 2025

**Governor** - The introduced budget provides a 1.0 percent one-time bonus payment in FY 2025. The state funding is calculated for funded SOQ instructional and support positions, Academic Year Governor’s Schools, and Regional Alternative Education Programs. Funded SOQ instructional positions include teacher, school counselor, librarian, instructional aide, principal, and assistant principal positions funded through the SOQ staffing standards for each school division. This action requires a local match by school divisions based on the composite index of local ability-to-pay. State funding is provided to school divisions that certify to VDOE that a minimum average 1.0 percent bonus or equivalent action will be provided in FY 2025, by July 1, 2024, to all instructional and support employees in the division. A 1.0 percent base pay increase provided by a school division would meet this requirement. This proposal increases state funding to school divisions in FY 2025 by $53.0 million.

#### Diploma Plus Program

**Governor** - The introduced budget provides $20.0 million in FY 2025 and FY 2026 for the Diploma Plus program. This program provides grants to high school students to support attainment of high-demand industry recognized credentials, as defined by the Top Jobs List as approved by the Virginia Board of Workforce Development and aligned to the fields selected from the Virginia Office of Education Economics. Funds may be used for tuition, fees, materials, transportation, or other associated costs at an eligible public school, private school, postsecondary education institution, or a virtual program by an approved private online provider. Eligible students must enroll during grades 9 through 12 in Virginia and must not have previously received a Diploma Plus award. Eligible students and their parent or guardian must sign an agreement with VDOE to complete an entire industry recognized credential pathway. Prioritization will be given to high school students in their junior year or earlier that can complete the entire program prior to graduation. At least 25.0 percent of grants shall be provided to students eligible for free or reduced price lunch. Up to $200,000 per year may be reserved for VDOE’s start-up and operating costs.

#### Base Increase for State Sales Tax Distributions

**Governor** - The introduced budget provides an increase to sales tax distributions in FY 2025 and FY 2026 from the implementation of a tax policy change to increase the taxable base beginning in FY 2025. This action increases the technical adjustment to sales tax distributions (described earlier in this document) by $53.6 million in FY 2025 and by $138.9 million in FY 2026. The corresponding reductions to general funds for state Basic Aid are $29.7 million in FY 2025 and $77.0 million in FY 2026. The net increase in state funding to school divisions from this proposal is $23.9 million in FY 2025 and $61.8 million in FY 2026.

#### Supplemental GF Distribution for Grocery and Personal Hygiene Taxes

**Governor -** The introduced budget removes the supplemental general fund payment to school divisions for the elimination of grocery and personal hygiene taxes, which is distributed using estimated school-age population and deducted from Basic Aid like existing sales taxes dedicated to public education. This action decreases the supplemental general fund payment by $257.2 million in FY 2025 and FY 2026. The corresponding increases to general funds for state Basic Aid are $142.7 million in FY 2025 and FY 2026. The net decrease in state funding to school divisions from this proposal is $114.5 million in FY 2025 and FY 2026.

#### Supplemental Education Assistance Programs

**Governor** - The introduced budget includes new Supplemental Education Assistance Programs in FY 2025 and 2026 and amendments to existing programs.

##### Virginia Early Childhood Foundation

The introduced budget increases state funding to the Virginia Early Childhood Foundation (VECF) by $26.8 million in FY 2025 and FY 2026. The increased funding is intended to support public-private delivery of early learning services that address the needs of working families. Interested localities will submit a grant proposal to VECF by May 15, which aligns to the VPI application timeline. The lead agency within the locality is responsible for developing a local plan for the delivery of quality preschool services to at-risk birth-to-five-year-old children in private settings and that is responsive to the needs of low-income working families to serve the maximum number of at-risk children. The proposal must include an estimate of the number of children that will be served. Localities that demonstrate that more than 15.0 percent of slots are needed to meet the needs of at-risk children in their community may seek a waiver from the Superintendent of Public Instruction to use a larger percentage of their slots. The waiver must demonstrate that increasing eligibility will enable the maximization of federal funda and will not have a negative impact on access for other individuals currently being served. Recipients of a mixed-delivery preschool grant will receive maximum flexibility within their respective local initiative to fully implement the associated goals and objectives of mixed-delivery models. Children served by this initiative will be assigned student identification numbers to evaluate outcomes. Mixed-delivery providers will be required to provide data to VDOE to fulfill reporting requirements.

##### REACH Virginia

The introduced budget provides $630,000 in FY 2025 to REACH Virginia to provide teacher retention services to Virginia public school divisions.

##### Virginia Holocaust Museum

The introduced budget provides $250,000 in FY 2025 and $125,000 in FY 2026 to the Virginia Holocaust Museum to support the advancement of experiential learning opportunities for K-12 students. These funds are intended to support high-quality, off-site learning experiences, educational content, and exhibitions for students to engage in educational content, aligned to Virginia's Standards of Learning, related to the history of the Holocaust and other genocides.

##### Vision Screening Grants

The introduced budget provides an additional $200,000 in FY 2025 and FY 2026 to pay a portion of the vision screening of students in kindergarten, second or third grade, seventh grade, and tenth grade.

##### Dual Enrollment Grants

The introduced budget provides an additional $100,000 in FY 2025 and FY 2026 for tuition scholarships for public high school teachers seeking credentials to qualify to teach dual enrollment courses in their local school division. This existing funding is transferred from the State Council for Higher Education in Virginia’s budget. The lifetime maximum scholarship award to an individual under this program is $12,000.

##### Grow-Your-Own Teacher Grants

The introduced budget provides $240,000 in FY 2025 and FY 2026 for grants to low-income high school graduates who attended a public institution of higher education in Virginia and teach in high-need public schools. Grant awards to a school division will be $7,500 per academic year for up to four years. At least one grant must be provided to each superintendent region before awarded a second grant to a superintendent region. Each region may apply for up to four tuition grant awards. This grant program was previously budgeted under the State Council for Higher Education.

##### Communities In Schools

##### The introduced budget provides an additional $500,000 in FY 2025 and FY 2026 to strengthen and sustain the Communities In Schools program at new schools.

### 3. Language-Only Amendments for Direct Aid Programs Included in HB 30/SB 30

#### Literary Fund Loans

**Governor** - The introduced budget includes language that would allow VDOE to offer Literary Fund loans from uncommitted balances of the Literary Fund after meeting the obligations of teacher retirement payments, interest rate subsidy payments, and amounts set aside for Virginia Public School Authority program debt service payments.

#### Virginia Preschool Initiative – Local Plan

**Governor** - The introduced budget includes language requiring school divisions that apply for participation in VPI to include a mechanism for annually measuring and reporting unmet parental demand and preference in its local plan.

#### Virginia Preschool Initiative – Unawarded Funds

**Governor** - The introduced budget includes language requiring funds appropriated for VPI but not awarded to be transferred to the VDOE Central Office budget to support direct services under the Child Care Subsidy Program, provided there is unmet parental demand.

#### Alternative Education Slots

**Governor** - The introduced 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.

## B. 2024-2026 VDOE CENTRAL OFFICE BUDGET

### 1. Amendments to VDOE Central Office Budget Included in HB 30/SB 30

#### Child Care Subsidy Program

**Governor** - The introduced budget provides state funding to ensure that low-income, working families that receive support through the Child Care Subsidy Program will continue to have access to high-quality preschool services. These services are currently funded through one-time federal pandemic relief funds. This funding also supports the establishment of a digital wallet platform to host early learning and child care accounts for participating families. This proposal increases state support for this program by $213.3 million in FY 2025 and by $237.8 million in FY 2026.

#### Non-General Fund Support for Virtual Virginia

**Governor** - The introduced budget reduces non-general fund appropriations for the Virtual Virginia program by $21.8 million in FY 2025 and FY 2026 to match estimated tuition revenues during the 2024-2026 biennium. Participation in the tuition portion of the Virtual Virginia program has reduced since the pandemic.

#### New State Assessment System

**Governor** - The introduced budget provides general funds for VDOE to enter into a contract to develop a new state assessment system with constructed response items. This proposal increases state support to VDOE by $25.0 million in FY 2025 and by $15.0 million in FY 2026. One-time funds in FY 2025 will be utilized to support the transition from the current assessment system.

#### Student Access to Mental Health Services

**Governor** - The introduced budget provides funds for VDOE to contract with a telehealth provider for high-quality mental health services to school divisions in grades six through twelve. This proposal increases state funding to VDOE by $7.2 million in FY 2025 and FY 2026.

#### Office of School Quality

**Governor** - The introduced budget reduces funding in VDOE’s Office of School Quality in accordance with actual staffing needs. This action reduces state funding to VDOE by $1.9 million in FY 2025 and FY 2026.

#### Teacher Licensure System

**Governor** - The introduced budget provides state funding to VDOE for increasing costs to maintain its automated teacher licensure system. This proposal increases state funding to VDOE by $389,000 in FY 2025 and FY 2026.

#### Chief School Mental Health Officer

**Governor** - The introduced budget provides state funding for a full-time Chief Mental Health School Officer position at VDOE to lead mental health and wellness initiatives for K-12 students. This proposal increases state funding to VDOE by $200,000 in FY 2025 and FY 2026.

### 2. Language-Only Amendments to VDOE Central Office Included in HB 30/SB 30

#### Child Care Staff-to-Children Ratios

**Governor** - The introduced budget includes language that continues the flexibility afforded the Superintendent of Public Instruction to alter child-to-staff ratios and group sizes for licensed child day centers and centers that participate in the Child Care Subsidy Program.