



COMMONWEALTH of VIRGINIA
Department of Education

December 18, 2015

TO: Division Superintendents

FROM: Steven R. Staples, Superintendent of Public Instruction

SUBJECT: 2016-2018 Biennial Budget as Introduced by Governor McAuliffe

Governor McAuliffe presented his 2016-2018 biennial budget on Thursday, December 17, 2015, before a joint session of the Senate Finance, the House Appropriations, and the House Finance committees. This budget will be considered by the 2016 Session of the General Assembly, which is scheduled to convene on January 13, 2016. The Governor's introduced budget for the 2016-2018 biennium covers fiscal year 2017 (which begins July 1, 2016, and ends June 30, 2017) and fiscal year 2018 (which begins July 1, 2017, and ends June 30, 2018). The introduced budget bill containing Governor McAuliffe's budget recommendations for the 2016-2018 biennium is House Bill/Senate Bill 30.

[Attachment A](#) to this memorandum provides a summary of the changes proposed by the Governor for the 2016-2018 Direct Aid to Public Education budget. Key recommendations in Governor McAuliffe's 2016-2018 introduced budget impacting public education funding include:

- Technical updates to continue and revise the Standards of Quality (SOQ), incentive, categorical, and Lottery-funded programs for the most recent funded salary amounts, prevailing support costs, enrollment projections, and other technical data updates;
- New composite indices for the 2016-2018 biennium;
- New sales tax and Lottery revenue estimates;
- Revisions to the employer rates for fringe benefit contributions paid to the Virginia Retirement System (VRS);
- \$30.0 million reduction in the Literary Fund transfer for fiscal year 2018 VRS retirement payments, replaced with general funds;
- 2.0 percent salary increase in fiscal year 2018 for SOQ instructional and support positions and for funded positions in Academic Year Governor's Schools, contingent on a stable revenue forecast in fiscal year 2018;
- Additional teacher positions funded per school in fiscal years 2017 and 2018;
- Increase in the At-Risk Add-on funding;
- Funding for the Cost of Competing adjustment for SOQ support positions in fiscal year 2018;
- A doubling of funding to support state reimbursement for schools implementing alternative breakfast models (i.e., Breakfast After the Bell);
- Hold harmless funding in fiscal year 2017 for divisions losing state funding in fiscal year 2017 compared to fiscal year 2016;
- Implement new Academic Year Governor's Schools funding formula;
- Additional funding for career and technical education equipment and credentialing, and new funding for a summer residential CTE Governor's School;

- Funding to expand online high school learning and high school program innovation, and new funding for computer science training for teachers; and
- Increased funding for Communities in Schools, Positive Behavioral Intervention and Support model implementation, and the Virginia Early Childhood Foundation.

A summary of proposed new funding in the Department of Education Central Office budget affecting school divisions is also included in Attachment A.

[Attachment B](#) to this memorandum lists the projected state payments for each school division for the SOQ, incentive, categorical, and Lottery-funded accounts for fiscal years 2017 and 2018 based on the Governor's introduced 2016-2018 budget. The projected state payments shown in Attachment B are based on the Department of Education's latest projections of March 31 average daily membership (ADM) for fiscal years 2017 and 2018 and cannot be modified. The projected state payments shown in Attachment B do not include the supplemental education grants authorized by the General Assembly that are unique to certain school divisions. Several of the categorical account state payments shown in Attachment B are funded on a reimbursement basis and represent the Department's latest projected state payments; however, final payments for these accounts in fiscal years 2017 and 2018 will be based on actual, eligible reimbursement requests submitted by school divisions and approved by the Department.

In addition to the estimated state payments information contained in Attachment B, a downloadable Excel file has been created to assist school divisions in calculating projected state payments and required local matches in fiscal years 2017 and 2018 for most Direct Aid programs. This file gives divisions the opportunity to change ADM to test the effect on projected state funding and projected local match requirements using the Department's projected ADM or a local projection of ADM. (Attachment B contains projected state payment information for each school division in .pdf format based on the Department's projected ADM only and cannot be modified.) Although we have confidence in the accuracy of our ADM projections on a statewide basis, experience has shown that the accuracy of our projections for individual divisions may vary. When divisions believe that they have more accurate projections of their March 31 ADM, they are encouraged to substitute their estimates for those provided in this memorandum when using the Excel calculation file.

Please note that changing the ADM value in the Excel file only changes the estimated funding for accounts that are funded on the basis of ADM; the estimated funding for all other accounts is unaffected by changing ADM in the Excel file and, therefore, remains the same. The fiscal year 2017 and fiscal year 2018 state payments will not be finalized for each year until they are recomputed using actual March 31 ADM and other final program participation information that applies to each fiscal year and each program.

In addition to ADM, the "Enrollment Projections" worksheet provides the option of entering local enrollment projections for the Remedial Summer School, English as a Second Language (ESL), and Virginia Preschool Initiative (VPI) programs. Please note that enrollments for VPI are capped at the number of student slots that are funded in the VPI formula contained in the Governor's introduced 2016-2018 budget.

Also note that sales tax estimates in the Excel calculation file are revenue projections only. Actual sales tax payments made to school divisions in fiscal years 2017 and 2018 on a semi-monthly basis will be based on actual sales tax receipts. However, pursuant to the appropriation act, the Basic Aid entitlement calculation is based on the estimated sales tax appropriation only and is not adjusted for actual sales tax revenues received.

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 projected March 31, ADM for fiscal years 2017 and 2018. The Excel file may be downloaded from the following Web address:

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.

Information on data inputs updated for the 2016-2018 Direct Aid budget such as funded salary amounts is available in the Board of Education rebenchmarking presentation from September 2015 ([Attachment C](#)).

It is important to remember that the information provided in Attachment B and in the Excel calculation file relates to the Governor's 2016-2018 biennial budget as introduced. The House of Delegates and the Senate will have the opportunity to amend the Governor's budget proposals during the 2016 General Assembly session. The General Assembly will adopt a final 2016-2018 biennial budget before the end of the 2016 session, which will be approximately the second week of March, 2016; therefore, the projected state payments contained in Attachment B and in the Excel calculation file are projections only and are subject to change as a result of legislative action by the 2016 General Assembly.

The Department will provide additional information during the General Assembly session as changes to the estimated Direct Aid state payments occur. After the conclusion of the session, projected state payments based on final General Assembly actions will be sent to you in another Superintendent's Memorandum. Please note, the actual fiscal year 2017 and fiscal year 2018 state payments will be made on the basis of final costs computed using actual March 31 ADM and other final program participation information that applies to each fiscal year and each program.

If you have questions or need additional information concerning the Governor's introduced budget for the 2016-2018 biennium and projected Direct Aid state payments for fiscal years 2017 and 2018, please contact Kent Dickey, deputy superintendent for finance and operations, or budget office staff at (804) 225-2025 or by e-mail at DOEBUDGETOFFICE@doe.virginia.gov.

SRS/dmh

Attachments:

- A. [Governor's Introduced Budget for the 2016-2018 Biennium](#) (PDF)
- B. [Projected State Payments for the 2016-2018 Biennium Based on the Governor's Introduced Budget](#) (PDF)
- C. [2016-2018 Rebenchmarking Presentation to the Board of Education](#) (PDF)