



COMMONWEALTH of VIRGINIA
Department of Education

March 28, 2014

TO: Division Superintendents

FROM: Patricia I. Wright, Superintendent of Public Instruction

SUBJECT: Adoption of the Fiscal Year 2014 Caboose Budget and Introduction of 2014-2016 Budget Bills at the 2014 Special Session I of the General Assembly

The 2014 Special Session I of the General Assembly convened on Monday, March 24, 2014, for consideration and adoption of the fiscal year 2014 “caboose budget” and the 2014-2016 biennial budget.

The House of Delegates and the Senate adopted identical amendments to the fiscal year 2014 budget on March 24th. Fiscal year 2014 began on July 1, 2013, and ends on June 30, 2014. The amendments adopted to the Direct Aid to Public Education budget for fiscal year 2014 are technical in nature and are the same as those adopted by the House and Senate at the 2014 regular session in February as described in [Superintendent's Memorandum No. 050-14](#), dated February 21, 2014. The budget bill containing the General Assembly's adopted amendments for fiscal year 2014 is House Bill (HB) 5001, which now goes to Governor McAuliffe for review and action.

Two budget bills for the 2014-2016 biennium (HB 5002 and HB/Senate Bill [SB] 5003) have been introduced at the special session. Both bills incorporate the 2014-2016 biennial budget introduced at the 2014 regular session, HB/SB 30, but also include additional budget recommendations. These budget bills affect fiscal years 2015 and 2016. Fiscal year 2015 begins on July 1, 2014, and ends on June 30, 2015. Fiscal year 2016 begins on July 1, 2015, and ends on June 30, 2016. Governor McAuliffe presented his budget recommendations for the 2014-2016 biennium to the special session on March 24th in HB/SB 5003. HB 5002 was introduced on March 24th in the House of Delegates and was adopted by the full House on March 25th.

[Attachment A](#) to this memorandum provides a summary of the changes adopted by the General Assembly for the fiscal year 2014 “caboose budget” (HB 5001). Key changes for fiscal year 2014 summarized in Attachment A include technical updates to fall membership and March 31 average daily membership (ADM), revised sales tax and Lottery revenue estimates, updates to enrollments and participation in various incentive, supplemental education, and categorical programs, and several technical corrections. These changes are identical to the amendments adopted separately by the House of Delegates and by the Senate on February 20, 2014, during the 2014 regular session.

[Attachment B](#) to this memorandum provides a summary of the budget recommendations proposed by the Governor for the 2014-2016 biennium in HB/SB 5003, as well as budget amendments adopted by the House of Delegates in House Bill 5002. Attachment B summarizes key changes for the 2014-2016 biennium proposed by the Governor and the House in their respective budget proposals, including revised composite indices for the 2014-2016 biennium, new sales tax and Lottery revenue estimates, proposed salary increases for Standards of Quality (SOQ) instructional and support positions, Virginia Preschool Initiative slots held harmless to fiscal year

2014 utilization, and partial funding for the Cost of Competing Adjustment for support positions and for a hold harmless payment in fiscal year 2015 for affected divisions.

[Attachment C](#) to this memorandum lists the estimated state share of cost, by school division, for the Governor's budget recommendations for the 2014-2016 biennium in HB/SB 5003. The projected state payments shown in Attachment C are based on the Department of Education's latest projections of March 31 average daily membership (ADM) for fiscal years 2015 and 2016 and cannot be modified. The estimated state payments shown in Attachment C do not include the supplemental education grants authorized by the General Assembly that are unique to certain school divisions.

It is important to remember that the information provided in Attachment C relates to the Governor's introduced 2014-2016 budget recommendations. The General Assembly will have the opportunity to amend the Governor's budget proposals and adopt a final 2014-2016 biennial budget before the end of the 2014 special session; therefore, the projected state payments contained in Attachment C are projections only and are subject to change as a result of legislative action at the 2014 special session.

[Attachment D](#) to this memorandum lists the estimated state share of cost, by school division, for the House of Delegates' adopted 2014-2016 budget in HB 5002. The projected state payments shown in Attachment D are based on the Department of Education's latest projections of March 31 average daily membership (ADM) for fiscal years 2015 and 2016 and cannot be modified. The estimated state payments shown in Attachment D do not include the supplemental education grants authorized by the General Assembly that are unique to certain school divisions.

It is important to remember that the information provided in Attachment D relates to HB 5002 budget as adopted by the House. The Senate will have the opportunity to take action on this budget during the special session. Therefore, the projected state payments contained in Attachment D are projections only and are subject to change as a result of legislative action at the 2014 special session.

After the conclusion of the special session, projected state payments based on final General Assembly budget actions for 2014-2016 will be sent to you in another Superintendent's Memorandum. Please note, the actual fiscal year 2015 and fiscal year 2016 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.

[Attachment E](#) to this memorandum provides the estimated state payments for each school division for the SOQ, incentive, categorical, and Lottery-funded accounts for fiscal year 2014 based on the General Assembly's adopted amendments. The estimated payments shown in Attachment E are based on the Department of Education's latest projections of March 31, 2014, average daily membership (ADM). The estimated payments shown in Attachment E do not include the supplemental education grants authorized by the General Assembly that are unique to certain school divisions. Several of the categorical account payments shown in Attachment E are funded on a reimbursement basis and represent the Department's latest projected payments; however, final payments on these accounts for fiscal year 2014 will be based on actual, eligible reimbursement requests submitted by school divisions and approved by the Department.

In addition to the estimated payment information contained in Attachment E, a downloadable Excel file has been created to assist school divisions in calculating projected state payments and required local matches for fiscal year 2014 for most Direct Aid programs. This file gives divisions the opportunity to change ADM to test the effect on projected state funding and local match requirements using the Department's projected ADM or a local projection of ADM. (Attachment E 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 ADM 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 calculation 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. Additionally, enrollments provided in the “Enrollment Projections” worksheet for Remedial Summer School, English as a Second Language (ESL), and Virginia Preschool Initiative (VPI) programs are actual fiscal year 2014 enrollments, and cannot be changed.

Also note that sales tax estimates in the Excel calculation file are revenue estimates only. Actual sales tax payments made to school divisions on a semi-monthly basis in fiscal year 2014 will be based on actual sales tax receipts. Pursuant to the appropriation act, the Basic Aid payment 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 year 2014. 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.

If you have questions or need additional information concerning the General Assembly’s adopted budget for fiscal year 2014, the proposed budgets at the special session for the 2014-2016 biennium, or projected Direct Aid state payments for fiscal years 2014, 2015, and 2016, please contact Kent Dickey, deputy superintendent for finance and operations, or budget office staff at (804) 225-2025 or by e-mail (e-mail addresses available at <http://www.va-doeapp.com/StaffByDivisions.aspx?o=Budget&w=true>).

PIW/cr

Attachments:

- a. [General Assembly Adopted Caboose Budget for Fiscal Year 2014](#) (PDF)
- b. [Governor’s and House Proposed Budgets for the 2014-2016 Biennium](#) (PDF)
- c. [Projected State Payments for the 2014-2016 Biennium Based on the Governor’s Introduced Budget HB/SB 5003](#) (Excel)
- d. [Projected State Payments for the 2014-2016 Biennium Based on House Adopted Budget HB 5002](#) (Excel)
- e. [Projected State Payments for Fiscal Year 2014 – HB 5001](#) (PDF)