COMMONWEALTH of VIRGINIA
Department of Education

December 16, 2013

TO: Division Superintendents

FROM: Patricia I. Wright, Superintendent of Public Instruction

SUBJECT: 2014-2016 Biennial Budget as Introduced by Governor McDonnell

Governor McDonnell presented his 2014-2016 biennial budget on Monday, December 16, 2013, before a joint session of the Senate Finance, the House Appropriations, and the House Finance committees. This budget will be considered by the 2014 Session of the General Assembly, which is scheduled to convene on January 8, 2014. The Governor's introduced budget for the 2014-2016 biennium covers fiscal year 2015 (which begins July 1, 2014, and ends June 30, 2015) and fiscal year 2016 (which begins July 1, 2015, and ends June 30, 2016). The introduced budget bill containing Governor McDonnell's budget recommendations for the 2014-2016 biennium is House Bill/Senate Bill 30.

Attachment A to this memorandum provides a summary of the changes proposed by the Governor for the 2014-2016 Direct Aid budget. Key recommendations in Governor McDonnell's 2014-2016 introduced budget impacting public education funding include:

- technical updates to continue and revise the SOQ, incentive, categorical, and Lottery-funded programs for the most recent funded salary amounts, prevailing support costs, enrollment projections, and other data updates;
- new composite indices for the 2014-2016 biennium;
- new sales tax and Lottery revenue estimates;
- revisions to the employer rates for fringe benefit contributions paid to the Virginia Retirement System (VRS);
- removal of funding for the Cost of Competing Adjustment for support positions;
- $10 million in Literary Funds available both years for school construction loans; and,
- new program initiatives proposed by the Governor, including math and reading specialists to assist low performing schools.

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 2015 and 2016 based on the Governor's introduced 2014-2016 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 2015 and 2016 and cannot be modified. The estimated 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 2015 and 2016 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 2015 and 2016 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 2015 and fiscal year 2016 state payments will not be finalized 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 2014-2016 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 2015 and 2016 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 2015 and 2016. 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 2014-2016 Direct Aid budget such as funded salary amounts is available in the Board of Education rebenchmarking presentation from September 2013 (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 2014-2016 biennial budget as introduced. The House of Delegates and the Senate will have the opportunity to amend the Governor's budget proposals during the 2014 General Assembly session. The General Assembly will adopt a final 2014-2016 biennial budget before the end of the 2014 session, which will be approximately the second week of March, 2014; 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 2014 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 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.

If you have questions or need additional information concerning the Governor's introduced budget for the 2014-2016 biennium and projected Direct Aid state payments for fiscal years 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).

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Attachments:

a. Governor's Introduced Budget for the 2014-2016 Biennium (PDF)
b. Projected State Payments for the 2014-2016 Biennium Based on the Governor's Introduced Budget (PDF)
c. 2014-2016 Rebenchmarking Presentation to the Board of Education (PDF)