Attachment A

Superintendent’s Memo #050-22

March 2, 2022

**Summary of Budget Amendments Proposed by the Senate and by the House of Delegates to Change Fiscal Year 2022 Direct Aid to Public Education and DOE Central Office Budgets as Introduced in HB 29/SB 29 (“Caboose Bill”)**

This document provides a summary of amendments to the fiscal year (FY) 2022 introduced budget (House Bill (HB) 29/Senate Bill (SB) 29), also known as the “Caboose Bill,” that were separately adopted by the Senate and by the House of Delegates on February 24, 2022. These budget actions amend the introduced budget proposed by former Governor Northam in HB 29/SB 29, which was communicated in Attachment A of Superintendent’s Memo 325-21, dated December 17, 2021. The original text of that attachment is repeated in this document for reference purposes. The actions proposed by the House of Delegates and by the Senate are summarized in this document and are reflected in italicized text.

Information related to the Direct Aid to Public Education and the Virginia Department of Education (VDOE) Central Office budget 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 for Direct Aid Programs Included in HB 29/SB 29](#_heading=h.1fob9te)

1. [Direct Aid Policy Changes Not Included in HB 29/SB 29](#_heading=h.tyjcwt)

[**Section B: Amendments to the VDOE Central Office Budget**](#bookmark=kix.rni8rcmsjvtg)

1. [Language-Only Amendments to the VDOE Central Office Budget Included in HB 29/SB 29](#bookmark=kix.4u0x2eoclnzn)
2. [Language-Only Amendments to the VDOE Central Office Budget Not Included in HB 29/SB 29](#_heading=h.1t3h5sf)

## A. 2020-2022 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 2022 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, 2020, fall membership. The most recent projections contained in the introduced budget amendments have been revised based on actual March 31, 2021, ADM and September 30, 2021, fall membership.

Statewide, the revised unadjusted ADM projections are 11,192 students lower in FY 2022 than the original projections contained in Chapter 552. The ADM-based payments for FY 2022 have been recalculated based on the revised projections. In addition, all accounts that are allocated on the basis of fall membership have been updated for actual fall membership in FY 2022. The ADM and fall membership updates result in an estimated decrease in state Direct Aid payments of $52.5 million in FY 2022.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

#### Update Sales Tax Projection

**Governor** - The Governor’s amendments reflect the most recent estimate of sales tax revenue dedicated to public education for FY 2022, 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 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 $1,769.2 million for FY 2022. This revised estimate is approximately $206.2 million higher than the projection contained in Chapter 552. As required by the Basic Aid funding formula, estimated state Basic Aid payments have been adjusted to reflect the decreased state share of cost resulting from the projected increase 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 decreases approximately $114.9 million in FY 2022. The net change in state funding to school divisions (due to both the estimated sales tax revenue increase and the Basic Aid offset) is an increase of $91.3 million in FY 2022

***Senate*** *– Proposes to increase the estimate to sales taxes in FY 2022 by $78.7 million. This action reduces the state’s share of Basic Aid by $43.8 million. The net change in state funding to school divisions is an increase of $34.9 million in FY 2022.*

***House*** *– Same as the Senate amendment.*

#### Update Lottery Revenue Estimate

**Governor -** The amended budget increases the Lottery proceeds estimate to $843.4 million in FY 2022, as compared to the projections contained in the Chapter 552 budget. The amended budget decreases the need for general funds due to the increase in estimated Lottery proceeds.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

#### Update Driver’s Education Revenue Estimate

**Governor -** The amended budget increases the driver’s education revenue estimate to $1.5 million in FY 2022, as compared to the projections contained in Chapter 552. The amended budget decreases the need for general funds due to the estimated increase in these revenues.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

#### 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 reduces by $101.6 million in FY 2022 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 2022. Funding for the Remedial Summer School program increases by $17.6 million in FY 2022, based on actual participation in Summer 2021. In addition, state funding for English as a Second Language increases by $3.0 million in FY 2022 based on actual fall 2021 enrollment.

* Incentive Technical Updates

Funding for the Governor’s Schools program reduces by $0.3 million in FY 2022, based on actual enrollment in FY 2022. Funding for the Virginia Preschool Initiative decreases by approximately $29.8 million in FY 2022 based on actual participation. The Compensation Supplement reduces by $15.2 million in FY 2022 based on actual participation by school divisions and Governor’s Schools. Virginia Public School Authority (VPSA) Educational Technology Grants decrease by $1.2 million in FY 2022 based on updates for schools reporting fall membership for FY 2022, and for schools’ 2021-2022 accreditation status used in calculating grants under the e-Learning Backpack Initiative. FY22 payments for the No Loss program reduce by $66.8 million based on other technical updates and program participation. State funding for the School Meals Expansion program decreases by $4.1 million in FY22 due to school meals being offered at no cost to students under the federal waivers in effect for the 2021-2022 school year.

* Categorical Technical Updates

The amended budget recognizes savings to Categorical accounts of approximately $2.2 million in FY 2022 based on actual program participation. Funding for the Special Education Homebound program account decreases by approximately $2.2 million in FY 2022 based on program participation in FY 2021.

* Lottery Technical Updates

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

Special Education Regional Tuition decreases by $24.4 million in FY 2022 based on actual costs in FY 2021 and projected program enrollment in FY 2022. Funding for K-3 Primary Class Size Reduction decreases by approximately $2.3 million in FY 2022 based on actual participation in eligible schools. Funding for the Early Reading Intervention program increases by $21.6 million in FY 2022 based on updated reading diagnostic data. Funding for School Breakfast decreases by $0.1 million in FY 2022. Funding for Foster Care increases by $1.4 million in FY 2022 based on children served in FY 2021.

* Supplemental Education Service Area Updates

Funding for the National Board Certification Bonus Program increases by $56,976 in FY 2022 for the actual number of teachers who hold National Board Certifications and who are eligible for the bonus payment in FY 2022.

***Senate*** *– Same as the Governor’s introduced budget. Also makes technical updates for VPI enrollment, Academic Year Governor’s School enrollment, Mentor Teacher distributions, and corrects the state and local share calculations for non-formula driven VPI slots. The FY 2022 No Loss payments are also adjusted to reflect other increases in state funding, and are reduced by $16.7 million. The net impact of these technical updates is a $17.3 million decrease in Direct Aid payments to school divisions in FY 2022.*

***House*** *– Same as the Governor’s introduced budget. Also makes technical updates for VPI enrollment, Academic Year Governor’s School enrollment, Mentor Teacher distributions, and corrects the state and local share calculations for non-formula driven VPI slots. The FY 2022 No Loss payments are also adjusted to reflect other increases in state funding, and are reduced by $48.6 million. The net impact of these technical updates is a $49.2 million decrease in Direct Aid payments to school divisions in FY 2022.*

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

#### Waiver of Required Local Effort/Match in Fiscal Year 2021

**Governor** – The introduced budget adds language that waives the requirements that school divisions meet required local effort and required local match in FY 2021. Divisions that did not meet required local effort and required local match in FY 2021 will not need to return funds pursuant to provisions in the *Code of Virginia* and state appropriation act. Please note that data on school division required local effort and match for FY 2021 must still be reported by VDOE to the General Assembly under separate requirements.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

#### FY 2022 No Loss Payments (Language Only change)

**Governor** – The introduced budget adds language that requires VDOE to account for one-time events that artificially inflated projected data in the calculation of FY 2022 No Loss payments. An example of this would be closure of a multi-division online program in the 2021-2022 school year affecting student enrollment.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

### Direct Aid Budget Policy Changes Not Included in HB 29/SB 29

#### Pandemic Bonus

***Senate*** *– The Senate provides federal funds from Coronavirus State and Local Fiscal Recovery Funds within the American Rescue Plan Act of 2021 for a one-time 1.9 percent bonus payment on June 1, 2022, for SOQ-funded instructional and support personnel. The payment from federal pandemic relief funds is based on the entire bonus, which means that a local match is not required. This proposal increases funding to school divisions by $137.1 million in FY 2022. An additional $0.3 million is appropriated for a bonus payment for Academic Year Governor’s School instructional and support personnel. Localities are encouraged to use additional available funds to provide pandemic bonuses to other eligible school instructional and support positions beyond what this funding might cover.*

***House*** *– No action.*

#### Ventilation Grants (Note: in Central Appropriations budget Item 479.20)

***Senate*** *- Proposes to reduce the total available federal pandemic relief funds for school ventilation grants by $31.3 million in FY 2022 to reflect actual utilization by school divisions.*

***House*** *- Same as the Senate amendment.*

#### Infrastructure & Operations Per Pupil Fund

#### *Senate – No action.*

#### *House – Proposes to increase the per pupil amount of the Infrastructure & Operations Per Pupil Fund to $499.49 in FY 2022. This proposal increases state payments to school divisions by $61.0 million in FY 2022.*

## B. 2020-2022 VDOE CENTRAL OFFICE BUDGET

### 1. Language-Only Amendments to the VDOE Central Office Budget Included in HB 29/SB 29

**Child Care Subsidy Program**

**Governor** – The introduced budget prohibits VDOE from setting a limit on the duration of time that families may participate in the Child Care Subsidy Program, subject to available funds.

***Senate*** *– Same as the Governor’s introduced budget.*

***House*** *– Same as the Governor’s introduced budget.*

### 2. Language-Only Amendments to the VDOE Central Office Budget Not Included in HB 29/SB 29

#### Provisional Child Care Staff

***Senate*** *– No action.*

***House*** *– This proposal permits employment of provisional child care staff provided that the applicant has received qualifying results on a fingerprint-based background check and that the applicant is supervised by someone who has received a qualifying result on a background check within the past five years.*