Attachment A

Superintendent’s Memo #325-21

December 17, 2021

**Summary of Governor Northam’s Proposed Amendments to the 2020-2022 Biennial Budget and Impact on Fiscal Year 2022 (“Caboose Bill”)**

This document summarizes the budget amendments proposed by Governor Northam to the current 2020-2022 biennial budget (i.e., Chapter 552, 2021 Special Session I Acts of Assembly) and the impact it has on fiscal year (FY) 2022 funding and budget language. The introduced budget bill to the 2022 General Assembly containing FY 2022 amendments is House Bill (HB) 29/Senate Bill (SB) 29.

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)

[**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)

## 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.

#### 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

#### 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.

#### 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.

#### 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.

### 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.

#### FY 2022 No Loss Payments

**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.

## 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.