



#165-21

Commonwealth of Virginia
Virginia Department of Education
Superintendent's Memo #165-21

DATE: June 21, 2021
TO: Division Superintendents
FROM: James F. Lane, Ed.D., Superintendent of Public Instruction
SUBJECT: **Final Fiscal Year 2021 State Payments**

Pursuant to Chapter 552, 2021 Special Session I Acts of Assembly (i.e., 2021 Appropriation Act), school divisions were required to report average daily membership (ADM) as of March 31, 2021, to the Virginia Department of Education (VDOE). The data reported by divisions were used to recalculate all ADM-based state payments for fiscal year 2021 (FY 2021). School divisions will receive their full ADM-based general fund and Lottery state payments, pursuant to available funds, for FY 2021 with no changes other than the routine adjustments that are made to the Basic Aid payment for some divisions each year as described later in this memorandum.

Payments for accounts supported by the Lottery Proceeds Fund are subject to the final deposit of actual Lottery proceeds for FY 2021. In the event that actual Lottery revenue for FY 2021 does not meet the estimate contained in Chapter 552, the Infrastructure and Operations Per Pupil Fund account in the Lottery Service Area will be prorated first to address any shortfall, with additional accounts to follow if the shortfall exceeds the remaining payment amount for the Infrastructure and Operations Per Pupil Fund. For more information about this proration, if necessary for FY 2021, please review the section titled "Incentive, Categorical, and Lottery-Funded Accounts" below. The semi-monthly Standards of Quality

(SOQ) and Lottery account payments for FY 2021 were adjusted for actual March 31 ADM beginning on the May 31, 2021, electronic funds transfer (EFT).

The information in this memorandum contains the final state funding due to school divisions (as of the date of this memorandum) in FY 2021 for ADM-based accounts. Also, where available, final payments are shown for other Direct Aid to Public Education accounts that are not calculated based on ADM. Payments for some accounts that require school divisions to submit reimbursements have not been finalized for the year so the payment amounts shown are estimates only.

The Excel file referenced in this memorandum shows state payments, required local effort for the SOQ accounts, and required local matches for Incentive and Lottery-funded accounts calculated based on actual March 31, 2021, ADM. The accounts affected by actual March 31, 2021, ADM appear in the Excel file in bold font. Please note that, unlike previous Excel calculation files for FY 2021 provided by VDOE, this file does not offer an option to change ADM for FY 2021 since ADM is now final. The Excel file can be downloaded from the Virginia Department of Education website at:

- [Excel Calculation Template Website](#)

For assistance downloading the Excel file, please refer to the instructions available at the following link:

- [Excel Calculation Template Download Instructions](#)

The State & Local Funds Summary tab on the Excel file shows the final FY 2021 payments for each school division for the SOQ, Incentive, and Lottery-funded accounts that are based on actual March 31, 2021 ADM. Also included in the Excel file are the routine adjustments to the FY 2021 state Basic Aid payment amounts, which are explained in further detail below.

Please note the following when reviewing the data contained in the Excel file:

1. **Basic Aid:** The FY 2021 state Basic Aid payment amount contained in the State & Local Funds Summary sheet reflects any required adjustments for circumstances such as payments made on behalf of school divisions to the Virginia School for the Deaf and the Blind (VSDB), state mental health facilities, and for driver's education. The adjustments made to FY 2021 Basic Aid payments for payments made on behalf of

school divisions are described below and are listed in the sheet labeled Adjustments to FY 2021 Basic Aid. The total amount to be paid to school divisions in FY 2021 for Basic Aid from state general funds is also provided in this sheet.

2. **Sales Tax:** The FY 2021 sales tax estimates contained in the Excel file represent the Department of Taxation's official forecast of sales tax included in the Chapter 552 budget. The sales tax estimates contained in Chapter 552 must be used to compute the Basic Aid payment for FY 2021. Chapter 552 specifically states:

"...In the event that the actual revenues from the state sales and use tax dedicated to public education and those sales tax revenues transferred to the general fund from the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund and appropriated in this Item (both of which are returned on the basis of the latest yearly estimate of school age population provided by the Weldon Cooper Center for Public Service) for sales in the fiscal year in which the school year begins are different from the number estimated as the basis for this appropriation, the estimated state sales and use tax revenues shall not be adjusted."

3. **Incentive, Categorical and Lottery-Funded Accounts:** Incentive accounts represent the full state payment, assuming actual participation in FY 2021. The state payments listed for certain Lottery and Categorical accounts do not reflect final participation or reimbursement levels for the year and are shown as estimated payments only.

In addition, if actual Lottery proceeds for FY 2021 do not meet the estimate contained in the Chapter 552 budget, the Infrastructure and Operations Per Pupil Fund will be reduced to prevent payments for Lottery-funded accounts from exceeding available Lottery proceeds. In the event this situation occurs, Infrastructure and Operations Per Pupil Fund account payments will be adjusted through the end of the fiscal year as balances become available and final remaining deposits from the Lottery Department are received. The final deposit of Lottery proceeds for FY 2021 will not be received by VDOE until on or around June 21, so school divisions can only be notified by email about final Lottery payments prior to the June 30 EFT. Therefore, divisions will need to monitor receipts carefully through June 30 for Lottery-funded accounts.

4. **VPSA Educational Technology Grant Payments:** VPSA Educational Technology Grant (i.e., SOL Web-based Technology Initiative and e-Learning Backpack Initiative) payments reflect the total amount that is allocated to the school division for the note issue offered in the designated fiscal year. They do not reflect actual reimbursement payments requested and paid to the school division. Please be aware that payments for regional programs are included in school division fiscal agent totals; however, actual reimbursements from the spring 2021 VPSA notes issue may be made directly to regional programs from State Non-Arbitrage Program (SNAP) accounts if SNAP accounts are established separately for the regional program.

Adjustments to the FY 2021 COVID-19 Relief Fund State Payment

Chapter 552, 2021 Special Session I Acts of Assembly requires VDOE to adjust FY 2021 state payments for the COVID-19 Relief Fund based on actual sales tax distributions to school divisions. Chapter 552 specifically states:

“It is the intent of the General Assembly that the final COVID-19 Local Relief Payments be updated for actual sales tax distributions through the final June monthly distribution in fiscal year 2021.”

Attachment B displays the difference between estimated sales tax distributions in Chapter 552 vs. actual sales tax distributions in FY 2021. Estimated FY 2021 sales tax distributions in Chapter 552 equaled \$1.51 billion, whereas actual sales tax distributions are \$1.63 billion. The magnitude of the difference between estimated and actual sales tax distributions has eliminated the COVID-19 Relief Fund state payment for FY 2021.

Adjustments to the FY 2021 No Loss Payment

Chapter 552, 2021 Special Session I Acts of Assembly requires VDOE to adjust FY 2021 state payments for the No Loss payment based on technical updates and increased revenues. Chapter 552 specifically states:

“In both fiscal years, such payments shall be updated for technical updates to Direct Aid student enrollments and program participation, as well as any increased revenue distributions.”

The increase to FY 2021 sales tax distributions required VDOE to reduce the No Loss payments to school divisions. Please refer to **Attachment B** for more information about the increase to FY 2021 sales tax distributions.

Adjustments to the FY 2021 Basic Aid State Payment for Certain School Divisions

As in past years, VDOE's normal practice for making certain types of adjustments to school division payments is to adjust Basic Aid since it is the largest Direct Aid account. The appropriation act directs that adjustments for the local share of cost of educating students in mental health facilities, and adjustments for divisions ineligible to receive Driver Education funds be made against a school division's Basic Aid payment. Similar adjustments to Basic Aid are made for local tuition for students attending the Virginia School for the Deaf and the Blind. Consequently, various adjustments will be made to the FY 2021 state Basic Aid payments for certain school divisions on the June 30, 2021, EFT. Where applicable, these adjustments will reduce the FY 2021 Basic Aid state payment made to school divisions. As noted above, the estimated adjustments to Basic Aid (as of the June 30, 2021, EFT) are shown in the sheet labeled Adjustments to FY 2021 Basic Aid. Pursuant to Chapter 552, 2021 Special Session I Acts of Assembly (i.e., 2021 Appropriation Act), the Basic Aid adjustments for FY 2021 shown in the Excel file are as follows:

1. **Driver Education Funds Portion of Basic Aid** - This adjustment reduces the Basic Aid state payment for school divisions that are not eligible to receive state Driver Education funds in FY 2021.
2. **Mental Health Local Share of Cost** - This adjustment is for the school division's share of the cost of educating children in state mental health hospitals. The data used to calculate this adjustment are based on the 2019-2020 school year. A similar reduction for the local share of the cost of educating children with intellectual disabilities in state training centers is no longer made since these services are no longer provided by the state to school divisions.
3. **Local Tuition for the Virginia School for the Deaf and the Blind** - This adjustment is for the local tuition payments for students enrolled at the VSDB. If your division has students enrolled at VSDB during the 2020-2021 school year (FY 2021), § 22.1-348,

Code of Virginia, and Virginia Board of Education Regulation 8VAC20-81-270.H. requires VDOE to adjust your state Basic Aid payment to capture the local share of the cost of educating these students. These funds are then transferred to the VSDB to offset the cost of educating the students. This adjustment is based on the December 1, 2020, student enrollment at VSDB.

Reporting Basic Aid Adjustments on the 2020-2021 Annual School Report

In order to maintain proper accounting for adjustments made to Basic Aid state payments for payments made on behalf of school divisions (adjustments two and three above), it is necessary for each school division to report the full state payment or gross revenue of Basic Aid funds under revenue source code 240202 (Basic School Aid) on the 2020-2021 Annual School Report (ASR). To balance this gross Basic Aid revenue on the 2020-2021 ASR, school divisions with adjustments for mental health facilities or VSDB should report these adjustment amounts as expenditures in the Instruction Function (61000) and Object Code 3000 (Purchased Services), using the appropriate Program Codes.

For those divisions where the final Basic Aid payment was adjusted for non-eligibility for Driver Education funds as indicated in item one above, the amount of the overpayment will be deducted from your unadjusted or full Basic Aid state payment as shown in the ASR. The reduced Basic Aid state payment amount will be shown on the Revenues worksheet under revenue source code 240202 on your ASR. No further reporting action is required, since the adjusted Basic Aid state payment will show the reduction, but school divisions should make note of this adjustment and can reference **Attachment A** to this memorandum for further detail on the three adjustments to the FY 2021 Basic Aid state payment.

For more information

If you have any questions concerning the information in this memorandum, please contact Budget Office staff at (804) 225-2025 or by email at doebudgetoffice@doe.virginia.gov.

JFL/eml

- A. Attachment: [Adjustments to FY 2021 Basic Aid Payments](#) (XLSX)
- B. Attachment: [FY 2021 Sales Tax Distributions](#) (XLSX)