# Summary of the Proposed 2020-2022 Biennium Budget Amendments Affecting PreK-12 Education

This document summarizes the budget amendments introduced by Governor Northam for the 2020-2022 biennium impacting the Direct Aid to Public Education and the Virginia Department of Education (VDOE) Central Office budgets. The proposed amended budget for the 2020-2022 biennium is introduced as House Bill (HB) 1800/Senate Bill (SB) 1100. Recommended funding changes are made using the Chapter 56 budget, which was adopted at the 2020 Special Session I General Assembly session, as the base budget.

Information related to the Governor’s proposals for the Direct Aid to Public Education and the VDOE Central Office budgets for 2020-2022 is organized in the following sections:

[**Section A: Amendments to the Direct Aid to Public Education Budget**](#1fob9te)

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## A. 2020-2022 DIRECT AID TO PUBLIC EDUCATION BUDGET

### 1. Technical Updates to Existing Direct Aid Programs Included in HB 1800/SB 1100

#### Update Average Daily Membership (ADM) and Fall Membership

**Governor** - Projections of unadjusted and adjusted average daily membership (ADM) for fiscal years (FY) 2021 and 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, 2019, fall membership. The most recent projections contained in the Governor’s introduced budget amendments have been revised based on actual March 31, 2020, ADM and September 30, 2020, fall membership; the latest projections reflect a significant downward adjustment due to impact of the COVID-19 pandemic on student enrollment.

On a statewide basis, the revised unadjusted ADM projections are 44,096 students lower in FY 2021 and 44,296 students lower in FY 2022 than the original projections contained in Chapter

56, 2020 Special Session I Acts of Assembly. The ADM-based payments for FY 2021 and 2022 have been recomputed based on these revised projections. In addition, all accounts that are allocated on the basis of fall membership have been updated for actual fall membership in FY 2021 and re-projected fall membership in FY 2022. The ADM and fall membership updates result in an estimated decrease in Direct Aid payments on a statewide basis of $201.2 million in FY 2021 and $202.9 million in FY 2022.

#### Update Sales Tax Projections

**Governor** - The introduced budget reflects the most recent estimates of sales tax revenue dedicated to public education for FY 2021 and 2022, as computed by the Department of Taxation. The revised sales tax estimates include 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 entitlement contained in the Excel template reflects the revised estimates for these two sales tax sources combined as a single revenue line item.

The Department of Taxation’s latest estimate of the one percent and one-eighth percent sales tax revenue is $1,422,100,000 for FY 2021 and $1,459,800,000 for FY 2022. These revised sales tax estimates are approximately $95.7 million higher in FY 2021 and $105.2 million higher in FY 2022 than the estimates in Chapter 56, 2020 Special Session I Acts of Assembly. As required by the Basic Aid funding formula, estimated payments have been adjusted to reflect the decrease in the state’s share of cost resulting from the projected increase in sales tax revenues.

The amount of the Basic Aid offset depends on each division’s local composite index (LCI). The state’s share of Basic Aid decreases approximately $53.4 million in FY 2021 and $58.6 million in FY 2022 due to the revised sales tax estimates. 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 $42.3 million in FY 2021 and an increase of $46.6 million in FY 2022.

#### Update Lottery Revenue Estimate

**Governor** - Total Lottery proceeds are projected to increase by $27.1 million to $685.0 million in FY 2021 and by $24.8 million to $690.9 million in FY 2022, compared to the Lottery estimate in the Chapter 56 budget. The total projected Lottery amounts in FY 2021 and 2022 are being used to fund the state’s share of the cost of various programs, such as the Infrastructure and Operations Per Pupil Fund, Early Reading Intervention, K-3 Primary Class Size Reduction, Special Education Regional Tuition, and SOL Algebra Readiness.

#### Update School-Age Population Estimate

**Governor** - The Governor’s amendments reflect the updated Weldon Cooper Center school-age population estimates used to distribute the state sales tax revenue. The school-age population estimates are updated by the Weldon Cooper Center annually for the purpose of distributing sales tax revenues to school divisions on a budgeted and actual basis. The July 1, 2018, school-age population estimates will be used to distribute FY 2021 sales tax revenues. The FY 2022 sales tax distribution was amended to reflect the July 1, 2019, school-age population estimates. The FY 2021 school-age population estimates remain the same as in Chapter 56, and continue to use the July 1, 2018, estimate to distribute sales tax revenue in FY 2021. This action does not change the total amount of sales tax distributed to divisions in FY 2022, only the distribution to individual divisions. This action results in a $700,000 increase in the general fund appropriation for Basic Aid in fiscal year 2022, due to the impact of the revised school-age population estimates on the Basic Aid offset calculation for each division.

#### 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 data elements, and actual and updated projected participation in programs. State funding reduces by approximately $37.1 million in FY 2021 and $29.6 million in FY 2022 based on these technical updates. Additional information regarding these adjustments is discussed in more detail in the following paragraphs.

##### SOQ Technical Updates

In addition to the SOQ updates based on ADM and fall membership mentioned above in the paragraph entitled Update Average Daily Membership (ADM) and Fall Membership, the Governor’s amended budget includes updates to the Remedial Summer School program in FY 2021 and 2022. Funding for the Remedial Summer School program decreases by $4.6 million in FY 2021, based on actual participation in the Remedial Summer School program in summer 2020 (and through November 1, as permitted under a previous FY 2021 waiver). In addition, state funding for English as a Second Language (ESL) decreases by $11.8 million in FY 2021 based on actual fall 2020 enrollment. The FY 2022 projection for ESL decreases by $19 million.

##### Incentive Technical Updates

Funding for the Governor’s Schools program reduces by $99,055 in FY 2021 and decreases $74,354 in FY 2022, based on actual enrollment in FY 2021. VPSA Educational Technology Grants decreases by $1.5 million in FY 2021 and $523,600 in FY 2022 based on updates for schools reporting fall membership for FY 2021, and for 2020-2021 accreditation status for use in calculating grants under the e-Learning Backpack Initiative.

##### Categorical Technical Updates

The Governor’s amended budget recognizes savings to Categorical accounts of approximately $1.8 million in FY 2021 and $1.9 million in FY 2022 based on actual program participation. Nearly all of the decrease is attributable to the Special Education Homebound program based on the actual state share of local program costs in FY 2021.

##### Lottery Technical Updates

The Governor’s 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.

Funding for Special Education Regional Tuition program reduces by $3 million in FY 2021 based on actual participation in spring 2020. Funding for Regional Alternative Education reduces by $13,260 in FY 2021. Funding for K-3 Primary Class Size Reduction reduces by approximately $12.5 million in FY 2021 and $8.8 million in FY 2022 due to reductions in grades K-3 fall membership. Funding for School Breakfast decreases by $5.8 million in FY 2021 based on actual meals served in the truncated 2019-2020 school year. Funding for Foster Care increases by $2.4 million in FY 2021. Funding for the Infrastructure and Operations Per Pupil Fund increases by $200,000 in both fiscal years.

* **Supplemental Education Service Area Updates**

Funding for the National Board Certification (NBC) Bonus Program increases by $50,891 in FY 2021 and decreases by $33,672 in FY 2022 for the actual number of teachers who hold a NBC in FY 2021 and for an updated projection of the number holding certification in FY 2022.

### 2. Direct Aid Budget Policy Changes Included in HB 1800/SB 1100

#### Fund the State’s Share of a One-Time Bonus Payment for Funded SOQ Instructional and Support Positions in FY 2022

**Governor** - The amended budget provides a two percent one-time bonus payment in FY 2022 for funded SOQ instructional and support positions on September 1, 2021. The state funding is calculated for funded SOQ instructional and support positions, for Academic Year Governor’s Schools, and for Regional Alternative Education Programs. Funded SOQ instructional positions include teacher, school counselor, librarian, instructional aide, principal, and assistant principal positions funded through the SOQ staffing standards for each school division. While the aforementioned two percent one-time bonus payment must be provided by school divisions in order to receive the state funds, a required local match based on the division composite index is not specifically required in FY 2022 under this action. State funding is provided to school divisions that certify to VDOE that a minimum average two percent bonus **OR** “equivalent action” will be provided in FY 2022, by September 1, 2021, to all instructional and support employees in the division. VDOE defines an equivalent action as a minimum average two percent compensation supplement (i.e., base salary increase) for all instructional and support positions employed by the school division, with an effective date no later than September 1, 2021. This proposal increases state funding to school divisions in FY 2022 by $80 million.

Please note that the availability of the state funding for the two percent bonus in FY 2022 is contingent on general fund revenues meeting or exceeding the budgeted forecast for FY 2021.

#### Increase Funding in the SOQ for School Counselors

**Governor** - The amended budget increases state funding in the SOQ for school counselors in FY 2022. The funded staffing standards for school counselors in FY 2021 are 455-to-1 in elementary schools, 370-to-1 in middle schools, and 325-to-1 in high schools. This action reduces the staffing ratios to 325-to-1 in all schools in FY 2022. This amendment provides an additional $26.6 million in state funding in FY 2022.

#### Include Presumptive English Learners in the FY 2021 English as a Second Language Program Enrollment

**Governor** – The diagnostic test normally used by school divisions to identify new English language learners was not performed due to school closures in March of the 2019-2020 school year. The amended budget instead includes “presumptive” English learners, as submitted by school divisions to VDOE in the Fall Student Record Collection, in the program enrollment data in FY 2021. This action also affects the projected program enrollment in FY 2022. This proposal increases state funding for the English as a Second Language program by $4.3 million in FY 2021 and by $6.5 million in FY 2022.

#### Restore Unallotted Funding for Early Childhood in FY 2022

**Governor** – Chapter 56, 2020 Special Session I Acts of Assembly, restored most of the funding in FY 2022 for Early Childhood initiatives that were unallotted at the 2020 Reconvened Session of the General Assembly. The Governor’s amended budget restores the remaining unallotted amounts in FY 2022. This action increases the funded Virginia Preschool Initiative full-day per pupil amount from $6,326 to $7,655 and the half-day per pupil amount from $3,163 to $3,827.50 in FY 2022. This amendment increases the state appropriation by $11.1 million in FY 2022.

#### No Loss Funding in FY 2021 and FY 2022

**Governor –** The amended budget recognizes the effects of the COVID-19 pandemic on public school enrollment in school year 2020-2021. The Governor’s proposed budget provides significant No Loss funding for school divisions in FY 2021 and 2022 (compared to projections in Chapter 56). For school division planning purposes, the projected payments for this program in FY 2021 will not be updated based on actual March 31, 2021, ADM, but could be adjusted in FY 2022. School divisions should use these state funds to supplement any of the other state funds provided through Direct Aid for Public Education. This action increases state payments to school divisions by $299.4 million in FY 2021 and $214.2 million in FY 2022.

#### Switch Funding Source for COVID-19 Relief Fund to General Funds

**Governor** – The Governor’s amended budget switches the funding source for the COVID-19 Relief Fund from non-general funds to the general fund. While this action increases general fund expenditures by $52.9 million in FY 2021, there is no impact on distributions to school divisions.

#### Add Accomack County and Northampton County as Full Cost-of-Competing Adjustment School Divisions in FY 2022

**Governor** – The amended budget adds Accomack and Northampton Counties as full cost-of-competing adjustment (COCA) school divisions in FY 2022. This action will increase their funded salaries by 10.6 percent for SOQ-funded support positions and 9.83 percent for SOQ-funded instructional positions in FY 2022. This proposal increases state payments by $2.8 million in FY 2022.

#### Supplemental Education Assistance Programs

**Governor** - The amended budget restores Supplemental Education Assistance Programs in FY 2022 that were previously unallotted at the 2020 Reconvened Session of the General Assembly.

##### Early Childhood Education Incentive - $5 million in FY 2022

##### Jobs for Virginia Graduates - $1.7 million in FY 2022

##### Power Scholars - $450,000 in FY 2022

### 3. Language-Only Amendments for Direct Aid Programs Included in HB 1800/SB 1100

#### Improve Market Competitiveness of Literary Fund Loans for School Construction Projects

**Governor** – The Governor’s amended budget requires VDOE and the Virginia Department of Treasury to develop recommendations to make Literary Fund loans a more attractive option for school construction projects. The agencies should consider changes to the Literary Fund loan program and Board of Education regulations that reflect market-favorable interest rates and provide competitive alternatives to the Virginia Public School Authority financing programs. The report shall be due to the Governor, the Senate Finance and Appropriations Committee, and the House Appropriations Committee by July 31, 2021.

#### Inclusion Plan for Special Education Students in Virginia Preschool Initiative (VPI) Classrooms

**Governor** – The amended budget requires that local VPI programs enroll special education students (defined as students with an Individualized Education Plan) at 10 percent of total enrollment or higher. VPI programs that are unable to meet this target shall provide reasons that the target was not met in their annual comprehensive report.

#### Grants for Provisionally Licensed Preschool Teachers

**Governor** – Chapter 56 provides $306,100 for grant funding to provisionally licensed VPI teachers that are actively engaged in coursework and professional development towards earning a degree or license that will satisfy the licensure requirements for a teacher as prescribed by §22.1-299 of the *Code of Virginia*. The Governor’s amended budget expands the eligibility to provisionally licensed teachers in other publicly-funded preschool programs operated by a school division. School divisions can apply for grants of up to $30,000 for these provisionally licensed teachers.

#### Flexibility for Early Childhood Initiative Funds

#### Governor – The amended budget indicates that within a fiscal year, any funds appropriated for early childhood initiatives that are not awarded may be expended to supplement any of the other early childhood initiatives contained in the Direct Aid budget.

#### Early Reading Intervention

**Governor** – Due to school closures in March of the 2019-2020 school year, resulting from the COVID-19 pandemic, the state-provided reading diagnostic test (which serves as the basis for state funding for the Early Reading Initiative program) was not conducted. The Governor’s budget amends the language to indicate that state payments will be based on the results of diagnostic tests administered in the most recent year. For FY 2021, Early Reading Intervention payments are based on the school year 2018-2019 reading diagnostic test.

#### Foster Care

**Governor** – The amended budget includes language that allows school divisions to receive state funding for students formerly in foster care upon reaching 18 years of age but have not yet reached 22 years of age. This language is consistent with Chapter 474, 2020 Acts of Assembly.

#### Math/Reading Specialist Initiative

**Governor** – The amended budget provides clarifying language for school divisions that opt to use state funding from the Math/Reading Specialist Initiative program for tuition support. School divisions that use state funds in this manner are required to provide documentation of tuition costs to VDOE. State funding will be provided based on the lesser of the actual cost of tuition or the state’s share of a math or reading specialist position. The amended budget also indicates that school divisions may seek prorated funding for positions filled after the beginning of the school year.

## B. 2020-2022 VDOE CENTRAL OFFICE BUDGET

### 1. Amendments to VDOE Central Office Budget Included in HB 1800/SB 1100

#### Fund Repayment of Treasury Loan to Cover SAMHSA Subgrant Reimbursements

**Governor** - The amended budget includes state funds to repay a Treasury Loan the VDOE received in order to make payments to school divisions that participated in a mental health-related federal grant sponsored by the Substance Abuse and Mental Health Services Administration (SAMHSA). This action provides $1.9 million to VDOE in FY 2021.

#### Support for Cultural Proficiency

**Governor** - The amended budget includes state funding in FY 2022 for a cultural proficiency coordinator within VDOE. This position would provide technical assistance to school divisions to develop procedures and processes that advance equity outcomes aligned to the EdEquityVA framework. The proposal also includes funding to support professional development aimed at addressing implicit bias, cultural competency, and culturally responsive instruction and curriculum. The amended budget provides $365,300 and one FTE position in FY 2022 for this proposal.

#### Kindergarten Readiness for Pre-K Students

**Governor** - The amended budget provides state funding in FY 2022 to assess kindergarten readiness in publicly-funded preschool programs. Assessments would be provided using the Virginia Kindergarten Readiness Program. The amended budget provides $300,000 in FY 2022 for this proposal.

#### Support for Deputy Superintendent of Early Childhood Position

**Governor** - The amended budget provides state funding in FY 2022 to VDOE for the Deputy Superintendent of Early Childhood. A portion of the position will be funded by the federal Child Care Development Fund. This proposal provides $161,174 and one FTE position in general fund support to VDOE in FY 2022.

#### State Match for the Head Start State Collaboration Grant

**Governor** - The amended budget provides state funding in FY 2021 and FY 2022 to VDOE for the required state match for the federal Head Start State Collaboration Grant. This grant transitioned from the Virginia Department of Social Services (VDSS) to VDOE effective July 1, 2020. This proposal provides $43,750 in both years of the biennium.

### 2. Language-Only Amendments to VDOE Central Office Budget Included in HB 1800/SB 1100

#### Child Care Development Fund Flexibility During COVID-19 Pandemic

**Governor** - Adds language giving VDOE temporary authority to make certain changes to the Child Care Development Fund (CCDF) State Plan in response to COVID-19.

#### Family Life Education

**Governor** - This proposal directs VDOE to conduct a review of Family Life education through school divisions reporting of local practices. The proposal requires VDOE to use the Youth Risk Behavior Survey to examine and report on any correlation that may exist between student behavior and the type of Family Life education offered in a school division, along with best practices for teacher training and parent and community involvement.

#### Expand the Scope of Early Childhood Classroom Observations and Professional Development

**Governor** - The amended budget expands the scope of early childhood classroom observations and professional development opportunities to publicly-funded child care and family day homes. This flexibility accounts for the uncertain needs of early childhood learning due to the pandemic and to support VDOE’s development of the uniform quality rating and improvement system.