



**COMMONWEALTH of VIRGINIA
Department of Education**

December 16, 2016

TO: Division Superintendents

FROM: Steven R. Staples, Superintendent of Public Instruction

SUBJECT: Amendments to the 2016-2018 Biennial Budget as Proposed by Governor McAuliffe (HB 1500/SB 900 as Introduced)

Governor McAuliffe's proposed amendments to the current 2016-2018 biennial budget (i.e., Chapter 780, 2016 Acts of Assembly) were presented on Friday, December 16, 2016, before a joint session of the Senate Finance, the House Appropriations, and the House Finance committees. The Governor's amendments to the 2016-2018 budget will be considered by the 2017 Session of the General Assembly, which is scheduled to convene on January 11, 2017. The Governor's amendments adjust funding for fiscal year 2017 (current year) and fiscal year 2018. Fiscal year 2017 began on July 1, 2016, and ends June 30, 2017. Fiscal year 2018 begins July 1, 2017, and ends June 30, 2018. The introduced budget bill containing the Governor's amendments is House Bill 1500/Senate Bill 900.

The recommendations made by Governor McAuliffe regarding the Direct Aid to Public Education budget include technical updates to the Standards of Quality (SOQ), Incentive, Categorical, and Lottery-funded accounts, along with proposed policy changes. Among the key recommendations in Governor McAuliffe's amended 2016-2018 budget impacting public education funding include:

- Eliminating the 2.0 percent Compensation Supplement that was to be effective on December 1, 2016;
- Providing a one-time 1.5 percent bonus for Standards of Quality-funded instructional and support positions effective December 1, 2017, in fiscal year 2018;
- Updating the Direct Aid accounts for enrollment changes, program participation, and other technical changes in fiscal years 2017 and 2018;
- Updating Sales Tax and Lottery revenue estimates dedicated to public education in fiscal years 2017 and 2018, and;
- Providing funding in fiscal year 2018 for Summer Cyber Camps and increasing funding in fiscal year 2018 for the Teacher Residency Program.

No changes are proposed either year to the employer contribution rates for the Virginia Retirement System from those rates adopted last legislative session in the Chapter 780 budget.

[Attachment A](#) to this memorandum provides detailed information on the funding changes proposed by the Governor for fiscal years 2017 and 2018 that impact the Direct Aid to Public Education and the Department of Education Central Office budgets.

[Attachment B](#) to this memorandum lists the estimated state payments (and local matches) for each school division for the SOQ, Incentive, Categorical, and Lottery-funded accounts for fiscal year 2017 and fiscal year 2018 based on the Governor's amendments to the 2016-2018 budget. The estimated 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 2017 and 2018 only. The projected payments shown in Attachment B do not include the direct grants (Financial Assistance for Supplemental Education service area) authorized by the General Assembly that are unique to certain school divisions. Several of the Categorical, Incentive, and Lottery-funded account payments shown in Attachment B are funded on a reimbursement basis and represent the Department's latest projected payments; however, final payments on these accounts in fiscal years 2017 and 2018 will be based on actual, eligible reimbursement requests submitted by school divisions.

In addition to the projected payment 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 2017 and 2018 for most Direct Aid programs. This file gives divisions the opportunity to change ADM to test the effect on projected state funding and local match requirements using the Department's projected ADM or a local projection of ADM. Although the Department's ADM projections are historically accurate on a statewide basis, the Department cannot anticipate all factors in each locality that may impact enrollment. Therefore, it may be necessary for divisions to use their own projections instead of the projections provided by the Department. Divisions 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. Also, for each fiscal year, the payment of semi-monthly SOQ account payments is based only on the General Assembly's adopted budget projections of division March 31 ADM, pending the recalculation of payments based on final March 31 ADM at the end of each year and subject to available state appropriation. Therefore, changing the ADM on the Excel file does not impact the payments that are made to divisions. Payments to divisions for fiscal year 2017 final payments will be updated and finalized based on March 31, 2017, ADM and other final program participation information. The final fiscal year 2017 payments based on actual data will be communicated to school divisions by a separate Superintendent's Memorandum later this year. Actual fiscal year 2018 payments will not be finalized until after a similar process is followed next year. 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 amendments to the 2016-2018 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 2017 and 2018 on a semi-monthly basis will be based on actual sales tax receipts. 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 Incentive and Lottery-funded accounts calculated based on projected March 31, ADM for fiscal years 2017 and 2018. 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.

It is important to remember that the information provided in Attachment B and in the Excel calculation file relates to the Governor's proposed amendments to the 2016-2018 budget as introduced. The House of Delegates and the Senate will have the opportunity to amend the Governor's budget proposals during the 2017 General Assembly session, which is scheduled to begin on January 11, 2017, and projected to end on February 25, 2017. For that reason, the estimated 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 2017 General Assembly.

The Department will provide additional information during the General Assembly session as changes to the estimated Direct Aid payments occur. After the conclusion of the session, projected payments based on final General Assembly actions will be sent to you in another Superintendent's Memorandum. Please note, the actual fiscal year 2017 payments will not be finalized until they are recomputed using actual March 31, 2017, ADM and other final program participation information. Actual fiscal year 2018 payments will not be finalized until after a similar process is followed next year.

Questions regarding the Governor's proposed amendments to the 2016-2018 budget and the revised estimates of Direct Aid payments for fiscal years 2017 and 2018 may be directed to Kent Dickey, Deputy Superintendent for Finance and Operations, or budget office staff at (804) 225-2025.

SRS/cwd

Attachments:

- A. [Governor's Amendments to the 2016-2018 Budget](#) (PDF)
- B. [Projected State Payments for 2016-2018 Based on the Governor's Proposed Amendments](#) (PDF)