



Overview of Public Education Proposed Budgets

SB 29 (Governor's Proposed Amendments to 2020-2022 Budget)
SB 30 (Governor's Proposed 2022-24 Biennial Budget)

January 13, 2022

Outline

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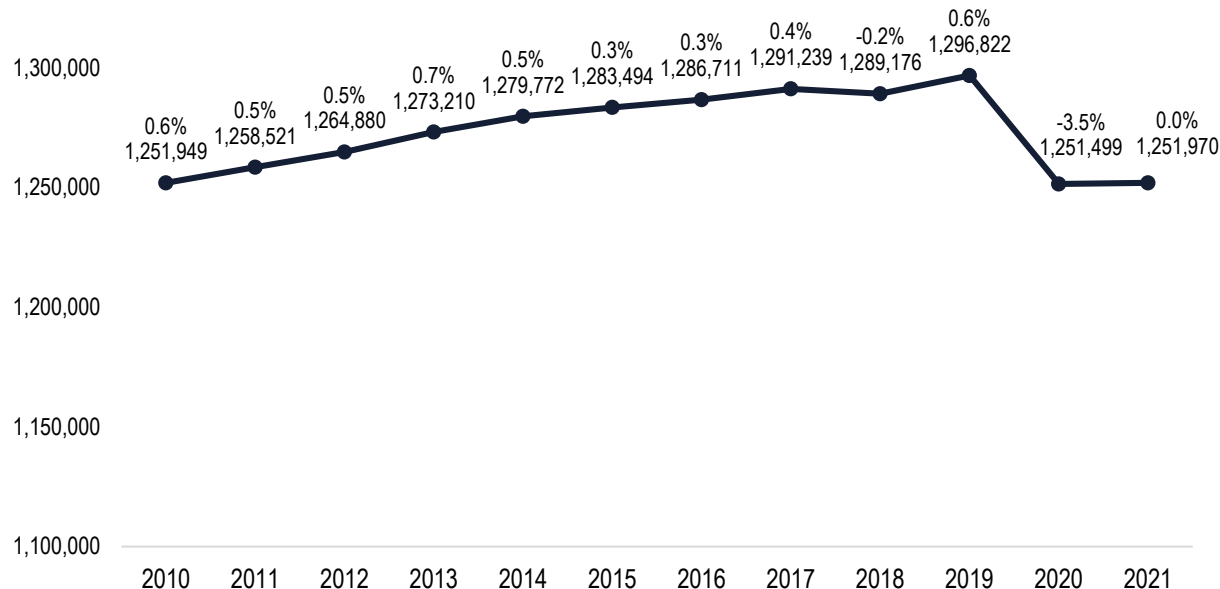
Federal Relief Funding



K-12 Enrollment

2021 PreK-12 Fall Enrollment is Still 3.6% Lower from 2019 Fall

Prior to 2020, PreK-12 fall enrollment grew on average 0.4 percent annually from 2010 to 2019.

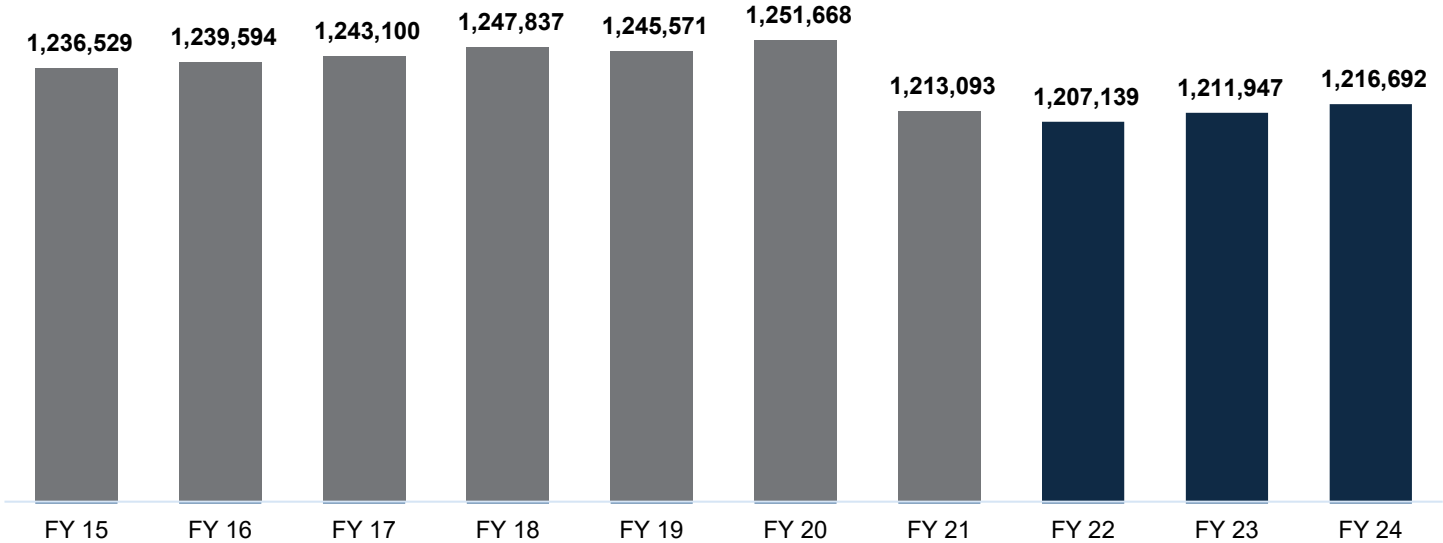


- Fall 2020 enrollment generally decreased in PreK through Grade 5 with 40,384 fewer students compared to 2019.
 - PreK decreased 18.6 percent, or 6,387 students.
 - Kindergarten decreased 12.8 percent, or 11,821 students.
- Fall 2021 enrollment is still down 3.6 percent, or 46,113 students, compared to 2019 enrollment.
 - Kindergarten increased 8.0 percent, or 6,741 students, and 9th grade increased 6.4 percent, or 6,620 students, compared to 2020.
 - All other grades except for Kindergarten, 9th and 12th decreased by a cumulative total of 17,095 students.

Source: VDOE, Fall Membership Reports.

FY 2022 Projected Average Daily Membership is Still 3.6% Lower Compared to FY 2020

Final and Projected Average Daily Membership (ADM) in the Appropriation Act



Final ADM (Caboose Budgets)

Projected ADM (SB 29/30)

Note: ADM does not include Virginia Preschool Initiative enrollment projections.



Proposed PreK-12 Budget

SB 29 – Direct Aid

- SB 29 includes a net reduction of **\$148.1 million GF** and a net increase of \$85.4 million NGF in Direct Aid.

GF Actions for FY 2022 (\$ in millions)	FY 2022
Update K-12 Dedicated Sales Tax Estimate	\$91.3
Policy: Supplant Literary Fund for GF to Support School Employee Retirement Costs	67.1
Update Early Reading Intervention based on Student Reading Performance	21.6
Update Remedial Summer School Program Participation	17.6
Update English as a Second Language Enrollment	3.0
Update FY 2022 Lottery Proceeds (\$85.2 million forecast adjustment, \$67.3 million residual FY 2021 profit)	(152.5)
Update Incentive, Categorical, Lottery and Supplemental Programs	(61.9)
Update Student Enrollment Projections	(52.5)
Update FY 2022 No Loss Payments	(66.8)
Capture Savings from Actual 5% Compensation Supplement Utilization	<u>(15.2)</u>
Total	(148.1)

SB 30 – Direct Aid: Summary of Proposed Amendments

GF Actions for 2022-24 Biennium (\$ in millions)	FY 2023	FY 2024	Total
Rebenchmarking, Technical Updates, or Removal of One-Time Items	(\$16.5)	\$45.6	\$29.1
Hold Harmless: Rebenchmarking Data	177.1	177.4	354.5
Eliminate Sales Tax on Food for Human Consumption	(45.5)	(112.5)	(158.0)
Hold Harmless: Elimination of Sales Tax on Food for Human Consumption	45.5	112.5	158.0
5% Salary Increase Each Year for Teachers and Support Staff	245.5	505.5	751.0
School Construction and Modernization Grants	500.0	-	500.0
Increase At-Risk Add-On (Maximum range from 26.0% to 49.5% in FY 2023 to 36.0% in FY 2024)	194.3	74.2	268.5
Supplant Literary Fund for GF to Support School Employee Retirement Cost	83.0	83.0	166.0
Expand Early Reading Intervention Program to 4 th & 5 th Grades	31.5	31.6	63.1
Rebenchmark VPI Per Pupil (Increases from \$7,655 in FY 2022 to \$8,359 each fiscal year)	13.7	13.7	27.4
Increase Instructors for English Language Learners (20 to 22 instructors per 1,000 students)	9.7	10.5	20.2
Expand VPI Access to Three-Year-Olds (Additional slots: 1,138 FY 2023 and 1,374 FY 2024)	6.0	13.4	19.4
Maintain FY 2022 VRS Rates (Updated during rebenchmarking to VRS Board approved rates)	70.9	74.8	145.7
Provide Full Cost of Competing Adjustment to Accomack and Northampton Counties	3.5	3.7	7.2
Increase Mixed-Delivery Preschool Community Provider Add-On Grants	-	3.4	3.4
State Operated Programs at Children's Hospitals (CHKD & VCU Children's Hospital)	1.4	1.4	2.8
Supplemental Programs	<u>30.5</u>	<u>19.5</u>	<u>50.0</u>
Total Direct Aid	\$1,350.6	\$1,057.8	\$2,408.4
VSDB: Upgrade School Network	0.5	0.1	0.6

2022-24 Rebenchmarking Costs

GF Actions for 2022-24 Biennium (\$ in millions)	FY 2023	FY 2024	Total
Update Student Enrollment & Characteristic Data	\$36.5	\$71.2	\$107.8
Update Prevailing Cost Data	87.3	90.1	177.4
Remove FY 2022 One-Time Spending Items (No Loss Payments)	(127.3)	(127.3)	(254.6)
Update Local Composite Index for the 2022-24 Biennium	3.9	4.2	8.1
Update VRS Fringe Benefit Rates (Updates the VRS Board approved rates for Retirement: 16.62 to 14.76 percent; Group Life 0.54 to 0.48 percent; budget proposes to maintains FY 2022 rates.)	(67.6)	(67.8)	(135.3)
Update Lottery Proceeds Projection (Increases Lottery profits from \$690.9 million in Chp. 552 to \$764.7 million each fiscal year.)	(73.8)	(73.8)	(147.5)
Update Sales Tax Projection (Increases from \$1,563.0 million in Chp. 552 to \$1,844.5 million in FY 2023 and to \$1,899.6 million in FY 2024.)	<u>124.5</u>	<u>148.8</u>	<u>273.3</u>
Rebenchmarking Updates	(\$16.5)	\$45.6	\$29.1

Sales Tax Policy Changes

Elimination of Sales Tax On Food for Human Consumption		
(GF \$ in millions)	FY 2023	FY 2024
November 2021 K-12 Dedicated Sales Tax Estimate	\$1,844.5	\$1,899.6
Eliminate 1.0% K-12 Dedicated Sales Tax on Food for Human Consumption	<u>(103.0)</u>	<u>(254.4)</u>
HB/SB 30 K-12 Sales Tax Estimate	\$1,741.5	\$1,645.2
Basic Aid Offset from Sales Tax Policy Changes	<u>57.5</u>	<u>141.9</u>
Net Impact of Sales Tax Policy Changes (Local Portion)	(\$45.5)	(\$112.5)
Policy: Hold Divisions Harmless from Elimination of Sales Tax	<u>\$45.5</u>	<u>\$112.5</u>
Total Net Impact to Divisions	\$0.0	\$0.0

For every \$1.00 decrease in K-12 sales tax, the total Basic Aid cost increases by a like amount. Therefore, when sales tax declines, the state is required to spend an additional \$0.55 and, on average, localities must spend an additional \$0.45 to cover Basic Aid costs (varies based on LCI).

School Construction

- **School Construction Grants.** Proposes \$500.0 million GF the first year for school construction and modernization grants.
 - \$1.0 million minimum base allocation for each division with remaining funds distributed based on actual March 2022 ADM weighted by LCI.
 - Eligible expenditures include school construction, additions, infrastructure, site acquisition, renovations, technology, and other expenditures related to modernizing classroom equipment, school safety equipment or school safety renovations, and debt service payments on school projects completed within the last ten years.
 - Unspent funds awarded to school divisions must be carried-forward to FY 2024 and FY 2025 and reappropriated to school divisions by the local governing body.
- **Supplant Literary Funds for Teacher Retirement Costs.** Includes \$83.0 million GF each year to supplant Literary Funds previously used to split-fund the state's share of teacher retirement costs. Similar action is proposed in SB 29.
- **Authorizes Literary Fund School Construction Loans or Subsidy Grants.** Allows the Board of Education to award up to \$200.0 million each year for school construction loans or subsidy grants, subject to available Literary Funds.

School Construction – continued

- **Literary Fund Loan Modifications.** Includes language implementing recommendations from the Department of Education and Treasury to make the Literary Fund a more competitive and attractive option to school divisions for school construction, pursuant to Chapter 552, 2021 Special Session I. The language supersedes statute and regulations to:
 - Establish a maximum Literary Fund loan amount per project of \$25.0 million, currently \$7.5 million in statute;
 - Establish loan interest rates, in consultation with the Department of the Treasury, that are annually benchmarked to a market index, not to exceed 2.0 percent for the divisions with a LCI less than 0.3000;
 - Replace the existing waiting lists with an annual open enrollment process for loans, with priority based on the local composite index;
 - Offer a loan add-on not to exceed for \$5.0 million per loan for projects that will result in school consolidation or net reduction of at least one existing school; and,
 - Offer incentive grants for loan closing costs from the from the available cash balance of the Literary Fund, not to exceed \$25,000 per loan and not to exceed \$250,000 total statewide each year.

5% Salary Increase Each Year – SOQ Positions

- Proposes \$245.5 million GF the first year and \$505.5 million GF the second year for the state's share of 5.0 percent salary increase each fiscal year.
- Requires a local match based on local composite index.
- Divisions can receive a prorated share if they provide an increase less than 5.0 percent but at least 2.5 percent.
 - School divisions must provide a minimum 2.5 percent salary increase in FY 2023 and FY 2024 in order to access additional state funds through this program in FY 2024.

Hold Harmless Rebenchmarking Data

- Proposes \$177.1 million GF the first year and \$177.4 million GF the second year to provide the state's share of Standards of Quality Basic Aid and Special Education payments to hold divisions harmless due to unanticipated reductions in the FY 2020 rebenchmarking data for special education, pupil transportation, and non-personnel support costs.
- Payment is calculated based on:
 - Either the higher December 1, 2019 or December 1, 2020 Special Education Child count;
 - Projecting the final quarter of FY 2020 pupil transportation expenditures; and
 - Using 2020-22 biennium per pupil costs for non-personnel support categories that decreased due to the mandatory school closings and virtual school settings that resulted from the COVID-19 pandemic.
- Payments will remain constant for the biennium with no subsequent technical updates.
- Divisions must match these funds based on the local composite index, and the funds must be used to support allowable expenses under Basic Aid and Special Education.

Early Childhood

GF Actions for 2022-24 Biennium (\$ in millions)	FY 2023	FY 2024	Total
Rebenchmark VPI Per Pupil (Increases from \$7,655 in FY 2022 to \$8,359 each fiscal year)	\$13.7	\$13.7	\$27.4
Expand VPI Access to Three-Year-Olds (additional slots: 1,138 FY 2023 and 1,374 FY 2024)	6.0	13.4	19.4
Increase Mixed-Delivery Preschool Community Provider Add-On Grants	-	3.4	3.4
Expand Early Childhood Educator Incentive Grant	5.0	5.0	10.0
Establish a Grow-Your-Own Early Childhood Educator Grant	1.1	1.0	2.1
Expand the VECF Mixed Delivery Grant Program	2.0	4.7	6.7

- **Provide Prorated State Support for VPI Late Enrollment.** Recommends language to authorize prorated state support for VPI slots filled between October 1 and December 31 each year based on the portion of the school year each child is served.
- **Align Eligibility Requirements for Mixed Delivery Preschool Programs.** Includes language aligning student eligibility for Mixed Delivery preschool programs to VPI program eligibility. These language changes allow Mixed Delivery programs to seek a waiver to increase the use of local eligibility requirements where a local need is demonstrated and support expanded eligibility for children with disabilities or delays.
- **Expand VPI Eligibility for Five-Year Olds.** Recommends language to allow placement of five-year olds in VPI classrooms for children who did not have access to sufficient preschool experiences. Final VPI placement will be based on family and program leader input.

Direct Aid: Summary of Supplemental Programs

GF Actions for 2022-24 Biennium (\$ in millions)	FY 2023	FY 2024	Total
Transfer K-12 Tech Talent Initiative Computer Science from Central Appropriations	\$1.3	\$1.4	\$2.7
Increase K-12 Tech Talent Initiative Computer Science	1.4	1.3	2.7
Support K-8 STEM Pipeline in Robotics and Coding Programs	0.2	0.3	0.5
Support AP Computer Science Enrollment and Student Success	0.5	0.5	1.0
Increase Diversity in Computer Science Teaching Workforce	1.5	1.5	3.0
Support STEM Education at Virginia Air & Space Center	0.5	0.5	1.0
Increase eMediaVA Support	0.5	0.5	1.0
Increase Blue Ridge PBS Support	0.5	0.5	1.0
Support VPM Curriculum and Learning Asset Development	0.5	0.5	1.0
Increase Communities in Schools Support	0.7	0.8	1.5
Increase Power Scholars Academy Support	0.5	0.5	1.0
Increase Project Discovery Support	0.05	0.05	0.1
Establish one-time Community Schools Fund	10.0	0.0	10.0
Expand Early Childhood Educator Incentive Grant	5.0	5.0	10.0
Establish a Grow-Your-Own Early Childhood Educator Grant	1.1	1.0	2.1
Expand the VECF Mixed Delivery Grant Program	2.0	4.7	6.7
Increase Teacher Residency Program Support	0.5	0.0	0.5
Increase Wolf Trap STEM Program Support	0.3	0.6	0.9
Support Project Ready	2.0	0.0	2.0
Support Youth Entrepreneurship Pilot Program	1.5	0.0	1.5

Department of Education: Summary of Proposed Amendments

GF Actions for 2022-24 Biennium	FY 2023 GF	FY 2024 GF
Continue Virginia Kindergarten Readiness Program Pre-kindergarten Expansion (Three-Year-Olds)	\$1,027,000	\$1,027,000
Expand Early Childhood Classroom Observations Unified Measurement and Improvement System	455,600	697,000
Expand Office of School Quality (25 FTEs in FY 2023, additional 25 FTEs in FY 2024)	3,325,860	6,552,285
Continue Support for the Learning Management System (ESSER funded in FY 2023)	0	5,138,000
Continue Support for Through-year Student Growth Assessments (ESSER funded in FY 2023)	0	5,000,000
Support to Administer Virginia School Survey of Climate and Working Conditions (2 FTEs)	235,742	235,742
Support for Early Childhood Education Program Expansion (2 FTEs)	280,000	280,000
Study for a STEM Governor's School on the Eastern Shore of Virginia	500,000	0
Social Emotional Learning Training and Implementation Resources (1 FTE)	221,514	221,514
Support Education on the Harms of Marijuana Use, pursuant to Chp. 550 & 551, 2021 Special Session I	310,000	0

NGF Actions for 2022-24 Biennium	FY 2023 NGF	FY 2024 NGF
Remove one-time COVID-19 relief funding	(\$68,208,428)	(\$68,208,428)
Increase Child Care Development Fund NGF Appropriation	73,735,644	73,735,644
Increase Virtual Virginia NGF Appropriation	26,088,705	32,610,882

Department of Education – Language

- **Child Care Subsidy Program.** Proposes language: (1) eliminating limits on the duration of time that families may participate in the Child Care Subsidy Program, subject to available funds; and (2) temporarily authorizing expanded allowances under the program to increase participation among families and providers.
- **Child Care Cost Estimation Report.** Recommends language requiring the Department of Education to develop a methodology to estimate the actual cost of providing high-quality early childhood care and education services in community-based settings no later than December 31, 2022.
- **Teacher Recruitment and Retention.** Proposes expanding the focus of funding and agency positions provided to address teacher recruitment and retention to support all critical shortage areas. Language in Chapter 552, 2021 Acts of Assembly, Special Session I, focused these funds on special education teacher shortages.



Federal K-12 Funding

Virginia has Received \$3.3 Billion in Elementary and Secondary School Education Relief Funds (ESSER)

Virginia's Elementary and Secondary School Education Relief Funds (ESSER)					
(\$ in millions)	CARES ESSER I	CRRSA ESSER II	ARPA ESSER III	Total	% of Total
State Allocation	\$238.6	\$939.3	\$2,109.5	\$3,287.4	
Divisions Formula Allocations	214.7	845.4	1,898.6	2,958.7	90%
VDOE State Set Aside	23.9	93.9	211.0	328.8	10%
Spending Deadline	Sept. 2022	Sept. 2023	Sept. 2024		

- Federal relief packages required 90% of ESSER funds, equaling \$3.0 billion, to be allocated by formula to divisions. Divisions receive reimbursement from VDOE for eligible expenses.
- ESSER funds have varying spending deadlines. ESSER III is required to be expended by Sept. 2024.
- **“Maintenance of Effort”**: To receive ESSER II & III, the state is required to maintain spending on both K-12 and higher education in FY 2022 and 2023 at least at the proportional levels relative to the state’s overall spending, averaged over FY 2017 to FY 2019.

Divisions have Mainly Used ESSER Funds for Technology, COVID-19 Mitigation, and Continuity of Operations

Division ESSER Reimbursements by Categories Oct. 2021

(\$ in millions)	ESSER I	ESSER II	Total ESSER I and II	Percent
Technology and Support for Digital Instruction	\$50.4	\$3.1	\$53.5	42.4%
Other*	22.7	7.7	30.4	24.1%
Sanitization/Social Distancing/Medical Supplies	13.4	1.4	14.8	11.7%
Equitable Services for Nonpublic Schools	7.0	Not Applicable	7.0	5.6%
Extended School Programs	6.0	3.9	9.9	7.9%
Special Populations	4.7	0.2	4.9	3.9%
Mental Health Supports	3.7	0.0	3.7	2.9%
Construction, HVAC, Renovation, Remodeling	0.8	1.2	2.0	1.5%
Total Reimbursements	\$108.7	\$17.5	\$126.2	
Total Reimbursements as % of ESSER Award	50.6%	2.1%	11.9%	

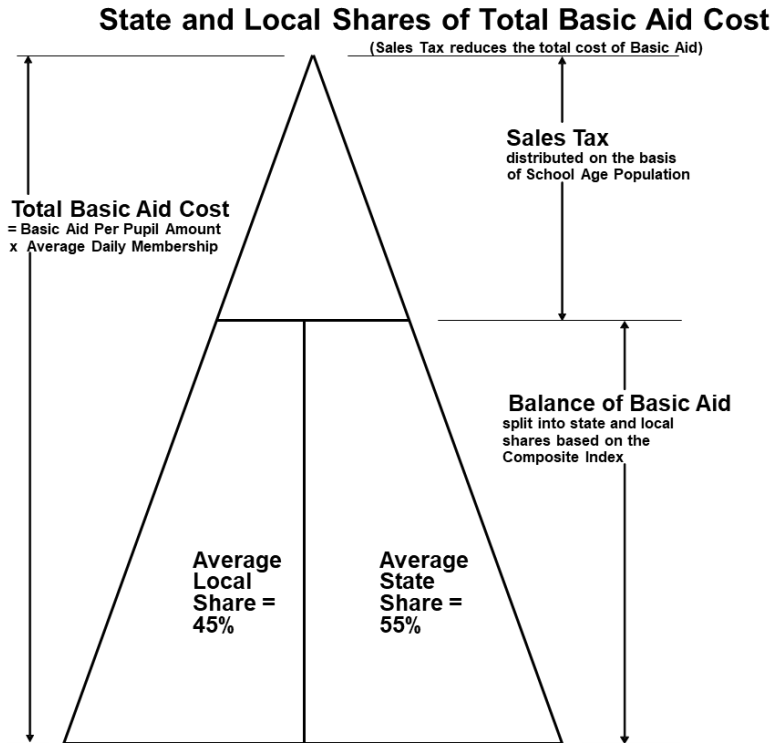
Source: VDOE Presentation to SFAC, October 19, 2021.

*Other includes salary and benefits, hazard pay, pay for additional duties and continuity of operations. Indirect costs are also included.



Appendix

SOQ Funding and Sales Tax



Note: State and local shares will vary by locality based on each locality's composite index.

- State sales tax dedicated to K-12 education (1.125%) offsets the total cost of Basic Aid.
- For each \$1.00 increase in K-12 sales tax, the total Basic Aid cost decreases by a like amount. Therefore, the state spends \$0.55 less and localities spend \$0.45 less to cover Basic Aid costs.
- For each \$1.00 decrease in K-12 sales tax, the total Basic Aid cost increases by a like amount. Therefore, when sales tax declines, the state is required to spend an additional \$0.55 and localities must spend an additional \$0.45 to cover Basic Aid costs.