



COMMONWEALTH of VIRGINIA
Department of Planning and Budget

Richard D. Brown
Director

1111 E. Broad St., Room 5040
Richmond, VA. 23219

November 15, 2005

The Honorable John H. Chichester
Chairman, Senate Finance Committee
Post Office Box 904
Fredericksburg, Virginia 22404-0904

The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee
Post Office Box 1173
McLean, Virginia 22101

Dear Messrs. Chairmen:

In accordance with Chapter 951 of the 2005 Acts of Assembly, I have enclosed the report providing an update on Standards of Quality expenditures based upon the most current data available.

This report details an adjustment to the base budget for fiscal year 2007 and fiscal year 2008 to account for increases in federal grants for Title I and Special Education, Career and Technical Education Carl Perkins funds, and school nutritional services. The adjustment increases nongeneral fund appropriation by \$118,000,000 in each year of the biennium. In addition, a technical adjustment was made to increase nongeneral fund appropriation for school nutritional services by \$20,000,000 in each year of the biennium.

Also, this report does not include the impact of updates to fall membership, composite index, or lottery estimates for the 2006-2008 biennium. The Department of Education has not yet completed its work in collecting, analyzing, and verifying data submissions for these components and determining the impact on the cost of the Standards of Quality.

Sincerely,

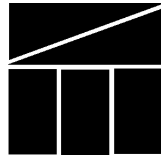
A handwritten signature in cursive script, appearing to read "Richard D. Brown".

Richard D. Brown

Enclosure

c: Robert Vaughn, Staff Director, House Appropriations Committee
Betsey Daley, Staff Director, Senate Finance Committee

*Interim Report
to the General Assembly on the
Updates to the Standards of Quality*



**Virginia Department of Planning and Budget
November 15, 2005**

Overview

In accordance with Chapter 951 of the 2005 Acts of Assembly, the Department of Planning and Budget (DPB) in coordination with the Department of Education (DOE) has prepared an interim report on the updates to the Standards of Quality, based upon the most current data available.

This report details several updates to projected state costs for the Standards of Quality in the 2006-2008 biennium, including:

- A base adjustment to increase nongeneral fund appropriation for federal grants; and
- A technical adjustment to increase nongeneral fund appropriation for school nutritional programs.

The following table details the expenditure impact of each update to the Standards of Quality:

	FY 2007 Projected State Costs vs. Chapter 951	FY 2008 Projected State Costs vs. Chapter 951
Base adjustment to increase nongeneral fund appropriation for federal grants (Includes Title I and Special Education, Career and Technical Carl Perkins, and school nutritional services)	\$118,000,000	\$118,000,000
Technical adjustment to increase nongeneral fund appropriation for school nutritional programs	\$20,000,000	\$20,000,000

At the September meeting of the Virginia Board of Education, DOE provided a preliminary estimate of \$987.0 million in additional general funds required for the 2006-2008 biennium. This estimate was based on technical re-benchmarking updates only. Much of the data needed to complete final calculations of the state share of SOQ costs are either unavailable or have not yet been entered into the SOQ formula. Final September 30, 2005 fall membership is currently being collected, verified, and reviewed by the Department of Education. As of the date of this report, not all local school divisions have submitted final data and certified their fall membership report to DOE. The latest lottery estimates, which include the impact of the new North Carolina lottery system, have been provided to DOE and are being entered into the formula. The update of the composite index is waiting on one school division to report as well as updated information from the Department of Taxation on true value of property.

Base Adjustment

The Department of Planning and Budget in conjunction with the Department of Education have identified several base adjustments needed to fully fund Direct Aid programs in the 2006-2008 biennium. The adjustments are based on additional federal grants received. The following chart contains a breakdown of each program affected by the adjustment:

Base Adjustments	FY 2007 Projected State Costs vs. Chapter 951	FY 2008 Projected State Costs vs. Chapter 951
Title I and Special Education	\$105,500,000	\$105,500,000
Career and Technical Carl Perkins Funds	\$2,500,000	\$2,500,000
School Nutritional Services	\$10,000,000	\$10,000,000
Total	\$118,000,000	\$118,000,000

Title I and Special Education

An additional \$105,500,000 in nongeneral fund appropriation was added to the base to cover Title I and Special Education grants. The increase in appropriation is needed to pay school division reimbursements from these grants during fiscal years 2007 and 2008.

Career and Technical Carl Perkins Funds

The additional \$2.5 million in federal grant funds was not originally anticipated when the Department of Education prepared its budget for fiscal year 2006. The grants are for reimbursement payments to local school divisions for activities relating to Carl Perkins funding under career and technical education.

School Nutritional Services

An after-school snack program is now offered as part of the federal school nutritional programs in addition to the milk, breakfast, and lunch programs currently provided. This additional program was not anticipated when the Department of Education prepared its budget for fiscal year 2006. The additional nongeneral fund appropriation of \$10 million is needed to cover increases in the cost of providing nutritional services.

Technical Adjustments

A technical adjustment was necessary to increase nongeneral fund appropriation for school nutrition programs. It is anticipated that expenditures to reimburse school

divisions from federal school nutrition funds in the 2006-2008 biennium will exceed the current legislative appropriation of \$140.0 million and the base adjustment of \$10.0 million. \$160.0 million was expended in fiscal year 2005 from these funds. The additional \$20 million in nongeneral fund appropriation will cover increases in the costs of these programs.