



COMMONWEALTH of VIRGINIA

Department of Planning and Budget

DANIEL S. TIMBERLAKE
Director

1111 E. Broad Street
Room 5040
Richmond, VA 23219-1922

November 15, 2008

The Honorable Charles J. Colgan
Chairman, Senate Finance Committee
10th Floor
General Assembly Building
Richmond, Virginia 23218

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee
P.O. Box 406
General Assembly Building
Richmond, Virginia 23218

Dear Messrs. Chairmen:

In accordance with Item 140 B.14, Chapter 879 of the 2008 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 adjustments for the 2008-2010 Biennium. These adjustments include: a correction to the Special Education Child Count, update for the 2008 Census, and adjustments to the sales tax and Lottery revenue estimates.

This report does not include the impact of updates to fall membership, average daily membership, and participation rates for incentive and categorical programs for FY 2009 or FY 2010. It also does not identify a specific impact resulting from activities associated with relocation and closure of military bases in Virginia. The Department of Education has not yet completed its work in collecting, analyzing, and verifying data submissions for these components and determining the impact of each on the total cost of public education.

Sincerely,

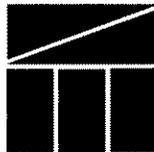
A handwritten signature in black ink, appearing to read "D. S. Timberlake".

Daniel S. Timberlake

Enclosure

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

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



**Virginia Department of Planning and Budget
November 15, 2008**

Overview

In accordance with Chapter 879 of the 2008 Acts of Assembly, the Department of Planning and Budget (DPB) in coordination with the Department of Education (DOE) has prepared the annual report on the update to the Standards of Quality (SOQ), based upon the most current data available. This report includes technical updates to the SOQ accounts that are done on an annual basis. Enrollment updates are not included in this report because the data submitted by school divisions was still being verified by DOE at the time of this publication.

Specifically, this report contains the following updates and projected state costs for the Standards of Quality in the 2008-2010 biennium:

- Special education child count correction
- Update for 2008 Census data collection
- Update Sales Tax estimate for public education
- Update Lottery revenue estimate for public education

The following table details the expenditure impact of these updates to the Standards of Quality:

	<u>FY 2009</u>	<u>FY 2010</u>
Special Education Child Count Correction (GF)	\$0	\$6,842,495
Update for 2008 Census (GF)	\$0	\$4,885,178
Update Sales Tax Revenue Estimate for Public Education (Net GF)	(\$20,677,790)	(\$34,970,187)
Update Lottery Revenue Estimate for Public Education (NGF)	(30,800,000)	(\$30,800,000)

Details

During the 2008 General Assembly Session, the Department of Education learned that special education child counts submitted by some school divisions contained errors. Specifically, the counties of Hanover, Cumberland, Highland, Lee, Spotsylvania, and Surry, and the cities of Buena Vista and Danville reported incorrect data to DOE. The General Assembly funded the correction in fiscal year 2009 at a cost of \$6.7 million but no funding was included to correct the error in fiscal year 2010. Therefore, an additional \$6.8 million is needed to fully fund SOQ special education in fiscal year 2010 based on the corrected child counts.

Pursuant to the *Code of Virginia* and Chapter 879, 2008 Acts of Assembly, the Department of Education, in conjunction with local school divisions, completed a new triennial census of school age population in October 2008. This data is collected for the purpose of

distributing to school divisions the portion of sales tax proceeds dedicated to public education. This update does not impact fiscal year 2009, which continues to use the 2005 census count. For fiscal year 2010, the 2008 census total is 1,511,877 school-age children, which reflects an increase of 26,929 children above the 2005 census count.

The latest projections for sales tax revenue dedicated to public education are \$1,147.4 million for fiscal year 2009 and \$1,175.2 million for fiscal year 2010. These amounts reflect decreases in projected sales tax revenue of \$47.3 million in fiscal year 2009 and \$80.0 million in fiscal year 2010 compared to the estimates included in Chapter 879. The impact listed in the table above represents the net change in cost after accounting for increased state support in basic aid.

In October of this year, the Lottery Department advised DPB that the Lottery revenue estimates for the 2008-2010 biennium had been revised. It is now projected that the Lottery will generate proceeds of \$430.2 million in fiscal year 2009 and \$430.2 million in fiscal year 2010. These revised Lottery estimates reflect an annual decrease of \$30.8 million compared to the estimates included in Chapter 879 for both years. This update does not result in any additional state cost; however, it does reduce the amount budgeted for Additional Support for School Construction and Operating Costs, which is distributed to localities on a per pupil basis. Subsequently, the per pupil amounts have been reduced from \$238.26 to \$193.26 in fiscal year 2009 and from \$224.29 to \$160.03 in fiscal year 2010 as a result of these revised estimates.