



COMMONWEALTH of VIRGINIA

Department of Planning and Budget

DANIEL S. TIMBERLAKE
Director

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

November 15, 2018

The Honorable Thomas K. Norment, Jr.
Co-chairman, Finance Committee
The Senate of Virginia
Post Office Box 6205
Williamsburg, Virginia 23188

The Honorable S. Chris Jones
Chairman, Appropriations Committee
Virginia House of Delegates
Post Office Box 5059
Suffolk, Virginia 23435

The Honorable Emmett W. Hanger, Jr.
Co-chairman, Finance Committee
The Senate of Virginia
Post Office Box 2
Mount Solon, Virginia 22843

Dear Senators Norment and Hanger and Delegate Jones:

In accordance with Item 136, Paragraph B.14, Chapter 2, 2018 Acts of Assembly, Special Session I, enclosed is an update on the Standards of Quality (SOQ) expenditures based upon the most current data available.

Please contact me should you have questions concerning this information.

Sincerely,

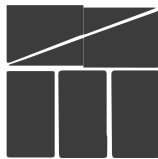
A handwritten signature in black ink, appearing to read "D. S. Timberlake", written over a horizontal line.

Daniel S. Timberlake

Enclosure

c: The Honorable Aubrey L. Layne, Jr.
Mr. Robert Vaughn
Ms. April Kees
Mr. Jason Powell
Mr. Michael Maul

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



**Virginia Department of Planning and Budget
November 15, 2018**

In accordance with Chapter 2, 2018 Acts of Assembly, Special Session I, 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 for the 2018-2020 biennium. Because this session will amend the current budget and does not involve the rebenchmarking process, changes in the SOQ costs are limited and primarily include only technical updates.

Final revisions to the sales tax revenues dedicated to public education will be available after the Governor's Advisory Council on Revenue Estimates (GACRE) meets on November 19, 2018. However, based on the Virginia Department of Taxation's November 2018 forecast for the sales tax education distribution, the estimated FY 2019 education distribution increases by \$10.8 million over the FY 2019 appropriation in Chapter 2, which results in an additional state cost of \$4.8 million after accounting for the savings realized in Basic Aid from increased sales tax revenues. Additionally, Taxation projects an increase of \$13.9 million in FY 2020 over the FY 2020 appropriation in Chapter 2, which results in an additional state cost of \$6.1 million after accounting for the savings realized in Basic Aid from increased sales tax revenues. Furthermore, based on the July 1, 2017, estimate of school age population provided by the Weldon Cooper Center for Public Service, the Department of Education calculates an additional state cost of \$320,390 in FY 2020.

Changes to the estimated revenue from the Lottery Proceeds Fund are available at this time based on the Virginia Lottery Board's updated estimate of the FY 2019 and FY 2020 forecasts included in Chapter 2. The Virginia Lottery Board recommends a revised estimate of \$632,398,647 in transfers to the Lottery Proceeds Fund in FY 2019. Of this amount, \$606,235,726 is the revised estimate of FY 2019 profits, \$9,562,921 is residual FY 2018 profits, and \$16,600,000 represents a one-time influx of additional profits from the October 2018, \$1.6 billion Mega Millions jackpot. The combination of these events increases the estimate of the Lottery Proceeds Fund by an additional \$39,865,461 in FY 2019 beyond the Chapter 2 appropriation. The Virginia Lottery Board recommends a revised estimate of \$628,830,501 in transfers to the Lottery Proceeds Fund in FY 2020. This estimate increases the Lottery Proceeds Fund by an additional \$30,437,315 in FY 2020 beyond the Chapter 2 appropriation. For the biennium, this represents an additional \$70,302,776 in available Lottery Proceeds for K-12 education in Virginia.

At this time, DOE has calculated updated projections for fall membership and average daily membership based on actual fall membership data submitted by school divisions in October 2018. DOE's updated average daily membership projections are approximately 5,864 students lower in FY 2019 and 8,908 students lower in FY 2020 than the projections used in Chapter 2. Based on these lower enrollment figures, DOE estimates preliminary state savings in the SOQ programs of \$20.4 million in FY 2019 and \$34.8 million in FY 2020.

Additional updates to the SOQ will be included in the Governor's Amended Budget for the 2018-2020 biennium, which is scheduled to be submitted to the General Assembly on December 18, 2018.