

Regional Questions/Issues/Concerns about Budgets

Region V:

How to plan for revenue losses with so much uncertainty regarding ADM, sales tax, and lottery revenues

This is particularly challenging to forecast. While we don't know what the impact on Average Daily Membership (ADM), Sales Tax or Lottery proceeds will be at this time, it is always important to ensure you have an open dialogue with your funding partners. In addition, it is important to have contingency plans to course correct during the year if the revenues you estimated in the development of the FY2021 budget do not come to fruition. One such strategy may be to assume a lower Sales Tax and Per Pupil Lottery distribution for FY2021, until these major state revenue sources, as well as all state revenue in the budget, are reforecast by the General Assembly, likely at a Special Session in late summer or fall. Divisions should closely monitor initial student enrollments very early in the year to detect any significant reductions early. FY2021 is going to be even more critical to track and monitor to ensure that you are not in a position to have more expenditures than revenue at the end of the fiscal year.

Various reductions and unallotments adopted by the General Assembly to the 2020-22 state budget at the Veto Session will help mitigate future reductions that may be needed next year.

The potential for cascading cuts throughout the FY21 year and the effect this will have on sustaining staffing in all positions

Answer is the same as above.

Costs for additional safety measures as well as supporting technology needs for distance learning

It is going to be important to leverage federal dollars as much as possible that are available to support the implementation of safety measures and technology needs, such as the CARES Act funds that can replace local funds for such purposes; however, keeping in mind that CARES Act funds are one-time funds and should be planned for one-time costs or where local funds can reassume the costs later. VDOE is also seeking opportunities for funding to support these areas through federal funding opportunities that could be available to the state as well.

ADM concerns include loss as well as accounting for students whose parents are fearful for them to return to school

This is an area of concern for VDOE as well. Many of the state funding formulas are driven by ADM. We are reviewing these areas to see if there can be alternative education service delivery, such as virtual or blended models, that may count towards a division's ADM for the 2020-21 school year.

The ability to plan logistically and financially for upcoming changes to school structures

Region VII:

When can we expect a sales tax amendment to be recognized in the state budget?

VDOE does not anticipate any reforecasting of sales tax until late summer or early fall, likely at a Special Session of the General Assembly on the budget. With the 2 month lag in sales tax sales to distribution, forecasting of sales tax may not be beneficial until this time frame once more actual revenue experience has been realized during the pandemic.

Do we anticipate having another CARES ACT funding supplement in the future similar to the one we just received?

No additional federal legislation has passed at this time providing additional COVID-19 stimulus or relief funding for K-12 education. However, the proposed HEROES Act includes additional K-12 relief funding for states and school districts but has not passed Congress.

Region VIII:

State funds: Are there recommended strategies we can use to address the unknown/unstable variables of sales taxes, lottery funds, and possible ADM losses?

This is particularly challenging to forecast. While we don't know what the impact on ADM, Sales Tax or Lottery proceeds will be at this time, it is always important to ensure you have an open dialogue with your funding partners. In addition, it is important to have contingency plans to course correct during the year if the revenues you estimated in the development of the FY2021 budget do not come to fruition. One such strategy may be to assume a lower Sales Tax and Per Pupil Lottery distribution for FY2021, until these major state revenue sources, as well as all state revenue in the budget, are reforecast by the General Assembly, likely at a Special Session in late summer or fall. Divisions should closely monitor initial student enrollments very early in the year to detect any significant reductions early. FY2021 is going to be even more critical to track and monitor to ensure that you are not in a position to have more expenditures than revenue at the end of the fiscal year.

Various reductions and unallotments made by the General Assembly to the 2020-22 state budget at the Veto Session will help mitigate future reductions that may be needed next year.

Federal Funds: The other concern I have is the percentage of CARES money that will be eaten up by private schools. Are there limitations we can set on that as we write our grants?

The current guidance from the U.S. Department of Education is that Equitable Services provided to non-public schools in the LEA with CARES Act funds must be based on total enrollments rather than on the number of low-income children living in the LEA and attending non-public schools, as has been the typical interpretation under Section 1117 of the Title I law. VDOE is aware of and has shared concerns related to this interpretation. VDOE will keep LEA's informed of any changes to this current interpretation.

Are there specific *proactive* budgeting strategies we should employ in anticipation of our "vulnerable" employees taking FMLA or other leave?

Recommend increased substitute and overtime budgets in anticipation for increased absenteeism and leave. Also, holding a portion of the CARES Act funding aside to address any continued pay to employees who will be utilizing leave that can be directly attributed to COVID-19.

Budget Questions/Concerns from Small Group Discussions following call:

- ADM loss - flexibility with counting students during remote learning.

This is an area of concern for VDOE as well. Many of the state funding formulas are driven by ADM. We are reviewing these areas to see if there can be alternative education service delivery, such as virtual or blended models, that may count towards a division's ADM for the 2020-21 school year.

- Would like the top 10 things a school division should consider when it comes to staff and students safety when returning to facilities/buses. (signage, training, cleaning, PPE, etc.)

VDOE is in the process of working on guidance to provide divisions with areas that should be considered when returning to operation. This information should be forthcoming in the next several weeks.

- Do school systems that have no private schools in their division still have to provide funds to other private schools outside of their division?

No.

- Funding for Board of Supervisor/City Council. Could some of those funds be shared with schools?

Regarding CARES Act funds provided to local governments, this would be a local decision regarding the use of funding provided to a county or city for allowable purposes in a school division.

- Any discussion about class size discussion funds? Will we have some waivers on this issue especially in 21-22?

House Bill 30, or the 2020-2022 biennium budget, does give the Superintendent of Public Instruction the authority to grant waivers and temporary flexibility of certain provisions in the Code of Virginia and Appropriation Act. However, this authority only extends through FY21 or the 2020-2021 school year.

Currently, there are no waivers or flexibility measures in place for the K-3 Class Size Reduction Program or other class size requirements. While the Superintendent of Public Instruction will continue to consider relief options, any waiver or flexibility would only be applicable to the coming school year.

- What flexibility will be provided for membership to ensure schools are not negatively impacted by ADM loss? What discussions have occurred around funding if we come back on a modified schedule?

This is an issue of concern for VDOE as well; many state funding formulas are driven by ADM. VDOE is currently considering options for how ADM can be calculated for the 2020-2021 school year, recognizing that school divisions may be operating on modified schedules or offering virtual and/or blended models of instructional delivery.

- Will there be a new focus for the 2nd - 4th rounds of stimulus funds? Will it be tied to public education?

Beyond the enacted CARES Act, the proposed HEROES Act is pending in Congress. It includes relief funding for K-12 public education but has not passed Congress at the federal level.

- What will be the timeline after the General Assembly meets to reallocate some of the Governor's funding?

Any revisions to the 20-22 budget (reallotment of funding) would be effective immediately upon signature of the Governor, either at a Special Session or following the Regular Session.

- Could there be a look at the SOQ and provide guidance and flexibility on staffing in light of funding unknowns? If we were to have flexibility with SOQ, would/could there be a waiver of accreditation?

House Bill 30, or the 2020-2022 biennium budget, provides the Superintendent of Public Instruction with the authority to grant waivers and temporary flexibility for certain mandates

provided in the Code of Virginia. The Virginia Department of Education is actively considering relief measures that help to support school divisions during this time of funding uncertainty, but also weighing these options with the goal of maintaining a high quality education. Decisions on waiver and flexibility items will be posted on the VDOE as well as communicated by email or memo.

The Superintendent of Public Instruction has identified a new label of “accreditation waived” for the 2019-2020 school year. VDOE has also convened a work group to evaluate the impact that COVID-19 may continue to have on school quality indicators and accreditation metrics. Details on the accreditation framework for 2020-2021 are forthcoming.

- Will the state do a consolidated buy of PPE for disbursement to school systems to include masks, gloves, shields, thermometers, etc to ensure that all divisions have equitable access and eliminate cross competition?

VDOE is currently evaluating this option as well as funding resources that may be available to offset or cover these expenditures.

- How/will the state address additional costs for a hybrid model if that is the direction?

VDOE is currently evaluating resources that are available to provide support to local school divisions. The CARES Act funding sources available - ESSER state set aside, GEER, CRF - may provide an opportunity for the state to provide funding relief and support in this area.

- There are liability implications for reopening. Will the state provide guidance on addressing potential liabilities and additional costs? (AG opinion)

This is an issue that VDOE will have to seek guidance at the state level.

- What will the local responsibility be for providing PPE? Does the state have a plan for this?

This will require guidance from the Virginia Department of Health and CDC. This information should be available as decisions are made with regard to a statewide reopening plan.

- Whether or not to use the CARES Act funding as a 2 or 3 year budget support and implications for either plan

VDOE’s recommendation has been to utilize the CARES Act funding for non-recurring or one-time expenditures for allowable uses to limit perpetual and on-going costs into future years. Divisions should look for opportunities to use their CARES Act funds for allowable expenses in lieu of local funds that otherwise may have been used.

- Whether or not to use the CARES Act funding for specialty staff (counselors - considering the SEL support needed)

VDOE's recommendation has been to utilize the CARES Act funding for non-recurring or one-time expenditures. If there is a need for specialty staff to support divisions with needs that have developed as a result of COVID-19 and the closure of schools, this could be a possible use on a temporary basis; however, while also being mindful of the limited availability of the funding.

- Concerns w/ increased costs for health insurance / operational costs / personnel

These are areas that use of the CARES Act funding or other federal relief packages that may be provided in the future could be used to cover additional costs. Flexibility is allowed in the CARES Act and with no supplement or supplant provision, utilizing these funds to cover additional costs attributed to COVID-19 is a possibility; however, while also being mindful of the limited availability of the funding.

- Want more information on the HEROES Act funding

No additional federal legislation has passed at this time providing additional stimulus or relief funding for K-12 education. However, the proposed HEROES Act includes additional K-12 relief funding for states and school districts but has not passed Congress. We will provide information related to the HEROES Act as more information becomes available.

A lot of information from Ms. Berta. Could we get a written summary of her update on Supplemental Lottery?

Given the COVID-19 pandemic this has made lottery projections an area to monitor. March lottery profits were 28% lower in 2020 as compared to March 2019. This week we have received preliminary reports for April proceeds and the downward trend continued with a reduction of lottery profits by 13.4% in the current year as compared to April 2019. We will continue to monitor May proceeds (transferred mid-June) from Lottery to determine if that downward trend continued or if there is any stabilization. Within the Caboose budget for FY2020, Chapter 1283, under item 136.C.37, VDOE is authorized to temporarily suspend state payments for the Supplemental Lottery Per Pupil Amount in a situation where actual Lottery Proceeds will be less than the projections included in the budget. This is to ensure that we do not overspend our state appropriation due to any shortfall of Lottery revenues. With this being said, there is the possibility that Supplemental Lottery Per Pupil Amounts will be suspended beginning with the May 31st distribution of payments as we continue to monitor the Lottery proceeds. If there are funds available for additional distribution of the per pupil funds, VDOE will make those distributions on the June 30th payment. I will mention, on a bit of a positive note, March 31 ADM did come in below forecast for this year, so that will help offset some of the reduced Lottery proceeds in the per pupil formula.

In some cases, Lottery may cover shortfalls in a year by making adjustments to the next fiscal year; however, given the budget uncertainty that exists with regard to the economic conditions we are facing this may not be an option this year. VDOE will continue to monitor and communicate with Lottery and the state Department of Budget and Planning and provide any additional updates to you as soon as feasible. At this time, Lottery is continuing to monitor the lottery sales across the state and will be recommending any adjustments to the lottery projections for FY21. These will likely be incorporated into a special session in the late summer or early fall addressing the state budget. Again, once we know of any adjustments that would impact FY21 budgets we will share those with you ASAP.

Since there is no specific language within the CARES Act that allows for the replacement of lost revenue it is important that you evaluate any expenditures that you have incurred (continuation of salaries, purchase of PPE, "hazard pay", etc.) that could be moved to your ESSER stimulus funding (no supplement-no supplant requirement) for items that can be directly linked to the COVID-19 pandemic as required under the CARES Act. This will allow you to reduce your expenditures with local or state funds in an effort to balance out lost revenues, but keeping in mind the ESSER funds are a one-time source. We certainly understand that these are difficult times and navigating the budget reductions are challenging. If we can be of support or assistance to you do not hesitate to reach out. We are here to support you.

State funds: Sales Taxes

What did Kent say the % would have to be for June Sales Tax to meet budget?

June sales tax distributions would need to increase \$6.5M or 5.2% over May in order for the actual FY20 sales tax distribution to meet the appropriated forecast in the Caboose Budget (Chapter 1283).