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TESTIMONY PROVIDED TO: The Senate Appropriations Committee

FROM: Rebecca Holcombe, Ed.D., Secretary of Education; Bill Talbott, Chief Financial Officer

SUBJECT: FY 2018 Proposed Budget

DATE: March 28, 2017

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**Overview:**

The FY 2018 Agency of Education Budget maintains current operations and programs with no major changes. The Agency has had 171 positions since 2012. It had its greatest number of positions in 2008 at 211.

AOE staffing by funding source in 2016-17

Funding source:	# of positions:
General Fund	57
Federal Funds	75
Medicaid	18
Licensing Funds	11
Interdepartmental Transfer from AHS	7
Special funds	3

The Agency's General Fund increases by \$468,100 over the \$9,326,652 in FY 2017. \$350,445 of the increase is due to a shift of funding sources required by the federal government from the Global Commitment Fund to General Fund and does not represent an increase in total spending. The Agency assumed level funding of its Federal Programs but is still waiting for grant amounts from US ED. The proposed Trump Administration "Skinny Budget" includes cuts to education (See AOE Federal Update).

**Notes on Medicaid:**

The Medicaid Reimbursement Special Fund is created in 16 V.S.A. § 2959(a)

(b) A Medicaid Reimbursement Special Fund is established within the Agency of Education. Funds received by the State under this section shall be transferred to the Medicaid Reimbursement Special Fund. The Fund receipts shall be allocated in accordance with this section.

(f) Up to 30 percent of Medicaid reimbursements received under this section shall be available for administrative costs of the Agencies of Education and of Human Services related to the collection, processing, and reporting of education Medicaid reimbursements and statewide programs. The Secretaries of Education and of Human Services shall expend monies from the Fund only as appropriated by the General Assembly.

Practically speaking, the AOE Medicaid team generates revenues of about \$27 million that are shared between AHS, the AOE, school prevention and intervention initiatives, and the Education Fund.

**Notes on Specific line items of interest follow.**

<p><b>Sec. B.500 Education - Finance and Administration</b></p>	<p>VISION charges are for use of the state's accounting system. Increases in operating expense are in the table below.</p> <table border="0" data-bbox="899 506 1339 804"> <tr> <td>Rent</td> <td>6,050</td> </tr> <tr> <td>General Liability</td> <td>23,723</td> </tr> <tr> <td>DII</td> <td>3,960</td> </tr> <tr> <td>VISION</td> <td>5,548</td> </tr> <tr> <td>Instate Travel</td> <td>13,500</td> </tr> <tr> <td>Human Resources Services</td> <td>6,341</td> </tr> <tr> <td>Misc.</td> <td>1,394</td> </tr> <tr> <td><b>Total Increase</b></td> <td><b>60,516</b></td> </tr> </table> <p>16 V.S.A. § 4025(b)(2) permits the Education Fund to be used for auditing and accounting costs.</p>	Rent	6,050	General Liability	23,723	DII	3,960	VISION	5,548	Instate Travel	13,500	Human Resources Services	6,341	Misc.	1,394	<b>Total Increase</b>	<b>60,516</b>
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<p><b>Sec. B. 50 Education - Education Services</b></p>	<p>General Fund grants are on pages 32-34 of the Budget Book.</p>																
<p><b>Sec. B. 502 Education – Special Education Formula Grants</b></p>	<p>State aid for special education is paid for by the Education Fund. The state reimburses school district special education costs on average at 60%. The amount is level funded for FY 2018 because the FY 2017 amount was higher than needed. The Agency believes using this amount for FY18 will be sufficient.</p>																
<p><b>Sec. B.503 Education – State-placed students</b></p>	<p>A change to state-placed students occurred in December 2016 under federal law that states that students are entitled to remain in the school of origin when they enter DCF custody or change foster homes. This could impact the State Placed Student Reimbursement as</p>																

	fewer students will be considered state-placed due to the fact that they are remaining in the school of origin.																
<b>Sec. B.504 Education – Adult Education and Literacy</b>																	
This program serves individuals over the age of 16 who have not received a high school diploma and not enrolled in school. The program is directed by federal law and is augmented by state General Fund and Education Fund dollars. This year the Adult Diploma Program has been moved from Sec. B. 505 to this section for clarity because it is an adult education program. The Adult Diploma appropriation request is for an increase of \$434,862 based on the statutory formula calculation.	The adult diploma funding formula is found in 16 V.S.A. § 4011(f). (f) Annually, the Secretary shall pay to a department or agency that provides an adult diploma program, an amount equal to 26 percent of the base education amount for each student who completed the diagnostic portion of the program, based on an average of the previous two years.																
<b>Sec. B.504.1 Education – Flexible Pathways</b>																	
These Education Fund programs were added by Act 77 of 2013 and are intended to help provide more individualized high school programs and improve graduation rates for at risk students. Programs are: <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">High School Completion</td> <td style="text-align: right;">\$4,120,000</td> </tr> <tr> <td style="padding-left: 20px;">Dual Enrollment</td> <td style="text-align: right;">\$600,000</td> </tr> <tr> <td style="padding-left: 20px;">Early College</td> <td style="text-align: right;">\$1,700,000</td> </tr> <tr> <td style="padding-left: 20px;">Vermont Academy of Science</td> <td style="text-align: right;">\$450,000</td> </tr> <tr> <td style="padding-left: 20px;">Secondary School Reform</td> <td style="text-align: right;">\$200,000</td> </tr> <tr> <td style="padding-left: 20px;">Vermont Virtual</td> <td style="text-align: right;">\$100,000</td> </tr> <tr> <td style="padding-left: 20px;"><u>VSAC Stipends</u></td> <td style="text-align: right;"><u>\$30,000</u></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">\$2,450,000</td> </tr> </table>	High School Completion	\$4,120,000	Dual Enrollment	\$600,000	Early College	\$1,700,000	Vermont Academy of Science	\$450,000	Secondary School Reform	\$200,000	Vermont Virtual	\$100,000	<u>VSAC Stipends</u>	<u>\$30,000</u>	Total	\$2,450,000	Detail is on page 52 & 53 of the Budget Book.
High School Completion	\$4,120,000																
Dual Enrollment	\$600,000																
Early College	\$1,700,000																
Vermont Academy of Science	\$450,000																
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Total	\$2,450,000																
<b>B.505 Education – Adjusted Education Grant</b>																	
This amount is from the Education Fund based on the locally voter-adopted school budgets.	This section is pending legislative action.																
<b>Sec. 506 Education – Transportation Aid</b>																	
The Education Fund reimburses school districts' transportation costs to and from school. The appropriated amount is based on an annual growth set in statute at 16 V.S.A. § 4016	Excerpt from 16 V.S.A. § 4016 - The total amount of base year transportation grant expenditures shall be \$10,000,000.00 for fiscal year 1997, increased each year thereafter by the annual price index for state and local government purchases of goods and services.																
<b>Sec. B.507 Education – Small School Grants</b>																	
The Education Fund provides grants to districts operating schools with average grade sizes of 20 or smaller. The appropriation is lower by \$100,000 this	Small school grants are prescribed in 16 V.S.A. § 4015																

year due to declining enrollment.	
<b>Sec. B. 508 – Capital Debt Service Aid</b>	
This is the last year this aid will be given. It is for school district bonds issued in 1997 or before. In the first year districts pay interest only and then the principal and interest is paid off over the next 20 years. All eligible bonds will be paid after FY 18.	
<b>Sec. B.509 Education – Essential Early Education Grant</b>	
This is a special education block grant for children with Individualized Education Programs ages 3 – 5. The annual amount is increased by an index prescribed in state law.	16 V.S.A. § 2948(f) (c) Each supervisory union shall receive an essential early education grant each school year. Grants shall be distributed according to the estimated number of children from three through five years of age. The State Board by rule shall encourage coordination of services and may set other terms of the grant. Each supervisory union shall be responsible for the remainder of the costs of providing necessary services under section 2956 of this title. Annually, for each following fiscal year, the essential early education grant shall be increased by the most recent cumulative price index, as of November 15, for state and local government purchases of goods and services from fiscal year 2002 through that following fiscal year, as provided through the state's participation in the New England Economic Project.
<b>Sec. B.511 Education – Technical Education</b>	
The Education Fund provides tuition reduction, administrator salary assistance, transportation assistance and innovation grants to the state's technical centers. The \$282,600 increase for FY18 is prescribed in state law. The total increase in the appropriation is offset by moving the \$200,000 secondary school reform grant to the flexible pathways B.504.1 appropriation.	Detail is found on Page 42&43 of the budget book. 16 V.S.A. § 1561 – tuition reduction 16 V.S.A. § 1563 – transportation assistance 16 V.S.A. § 1565 – salary assistance

## Education Services Budget Summary

	FISCAL 2017 APPROP ACT	FISCAL YEAR 2018	
		AGENCY RECOMMEND	FY2017 TO FY2018
<b>CATEGORY OF EXPENDITURE</b>			
PERSONAL SERVICES	16,964,227	17,925,011	960,784
OPERATING EXPENSES	1,406,432	1,570,121	163,689
GRANTS	122,039,206	125,444,492	3,405,286
<b>TOTAL ALL CATEGORIES</b>	<b>140,409,865</b>	<b>144,939,624</b>	<b>4,529,759</b>
<b>SOURCE OF FUNDS</b>			
GENERAL FUND (A)	4,916,711	4,962,576	45,865
FEDERAL FUNDS (B)	130,421,580	133,375,581	2,954,001
TOBACCO LITIGATION FUND (C)	750,389	750,388	(1)
SPECIAL FUNDS (D)	2,996,817	3,788,416	791,599
INTERDEPT. TRANSFER (E)	1,324,368	2,062,663	738,295
<b>TOTAL ALL SOURCES</b>	<b>140,409,865</b>	<b>144,939,624</b>	<b>4,529,759</b>

### SOURCE OF FUNDS DETAIL

<b>(A) GENERAL FUND</b>			
PERSONAL SERVICES	2,725,022	2,774,459	49,437
OPERATING EXPENSES	295,483	291,911	(3,572)
GRANTS			
1 Adult Services Coordinator	211,233	211,233	0
2 Tech Ed Adult Formula	29,320	29,320	0
3 Early Reading	104,860	104,860	0
4 Special Olympics	13,778	13,778	0
5 Child Nutrition - State Match	408,348	408,348	0
6 Child Nutrition - Child Care	223,268	223,268	0
7 Child Nutrition - Breakfast	277,632	277,632	0
8 Child Nutrition - Summer Food	51,387	51,387	0
9 Child Nutrition - Free Lunch Initiativ	297,250	297,250	0
10 Child Nutrition - TEFAP	83,976	83,976	0
11 Governor's Institutes	192,654	192,654	0
12 Teacher of the Year	2,500	2,500	0
<b>TOTAL GRANTS</b>	<b>1,896,206</b>	<b>1,896,206</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>4,916,711</b>	<b>4,962,576</b>	<b>45,865</b>

## Education Services Grants

1. **Adult Technical Education Salary Assistance:** These funds are disbursed as payments to each technical center district to pay a portion of its adult education coordinator's salary.
2. **Adult Technical Education Formula:** These grants are awarded to 15 regional technical centers and 2 independent schools serving their region as a CTE center to support educational services for adults. Grants provide resources necessary to address the training needs of students and businesses in the region.
3. **Early Reading:** These funds support improvements in early reading instruction in Vermont schools. Major components include professional development for educators and administrators in order to improve content knowledge and instructional competency in literacy for educators working with children in preschool through grade 3.
4. **Special Olympics:** This program helps ensure that children and adults who have developmental delays have access to unified sports activities with non-disabled peers.
5. **Child Nutrition – State Match:** Regulations for the National School Lunch Program require states to provide funds to schools participating in the school lunch program. The amount is based on appropriated federal funds. Ninety percent of the state match is allocated to schools on a per-meal basis. Ten percent of the total required state matching funds are set aside for a competitive grant program for food service equipment.
6. **Child Nutrition – Day Care Home Tier 2 Meal Initiative (Child Care):** These funds support tier 2 low breakfasts, lunches and snacks served in day care homes where federal subsidies were cut by the federal Welfare Reform Act of 1996.
7. **Child Nutrition – Reduced Price Breakfast Initiative (Breakfast):** To the extent funds are appropriated, this program helps to fill the gap between the amount of federal reimbursement schools receive per meal and the actual cost to prepare a school breakfast. This funding also eliminates the reduced price charge of 30 cents for low income students whose household income is between 130 and 185% of poverty.
8. **Child Nutrition – Summer Food Service Program:** These funds supplement the cost of lunches served at summer food service sites where federal subsidies were cut by the federal Welfare Reform Act.
9. **Child Nutrition – Reduced Price Lunch Initiative (Free Lunch Initiative):** This funding covers the reduced price lunch charge of 40 cents for low income students whose household income is between 130 and 185% of poverty.
10. **Child Nutrition – The Emergency Food Assistance Program (TEFAP):** Funds to assist in the distribution and transportation process of donated food to recipient agencies for support of low income households.

11. Governor's Institutes: These funds provide about 20 percent of the costs for summer institutes for highly motivated high school students. Institutes are held on Vermont college campuses and draw additional support from businesses, foundations, schools and participating students' families.

12. Teacher of the Year: This grant provides some financial support for travel expenses related to being named Teacher of the Year. These funds may be used to support her/his attendance at either the National Teacher of the Year Conference or the annual convening in Washington, DC by State Teachers of the Year.

## Flexible Pathways

16 V.S.A. §941 describes the Flexible Pathways Initiative that requires schools serving students grades 7 - 12 to offer flexible pathways to graduation and to document the personalization process in Personal Learning Plans (PLPs). Flexible pathways, as a component of PLPs, can include work-based learning experiences, CTE, virtual or blended learning, dual enrollment and early college, the High School Completion Program, and other pathways whereby students can demonstrate meeting graduation requirements.

	FISCAL 2017 APPROP ACT	FISCAL YEAR 2018	
		AGENCY RECOMMEND	FY2017 TO FY2018
<b>CATEGORY OF EXPENDITURE</b>			
GRANTS	4,750,000	7,200,000	2,450,000
<b>SOURCE OF FUNDS</b>			
EDUCATION FUND	4,750,000	7,200,000	2,450,000

### SOURCE OF FUNDS DETAIL

<b>(B) EDUCATION FUND</b>			
<b>GRANTS</b>			
1 HS Completion for LEAs	4,020,000	4,120,000	100,000
2 Dual Enrollment	600,000	600,000	0
3 Early College	0	1,700,000	1,700,000
4 Vermont Academy of Science	0	450,000	450,000
5 Secondary School Reform	0	200,000	200,000
6 Dual Enrollment VT Virtual	100,000	100,000	0
7 Dual Enrollment VT VSAC	30,000	30,000	0
<b>TOTAL GRANTS</b>	<b>4,750,000</b>	<b>7,200,000</b>	<b>2,450,000</b>
<b>TOTAL EDUCATION FUND</b>	<b>4,750,000</b>	<b>7,200,000</b>	<b>2,450,000</b>



## Grants

1. **High School Completion for LEAs:** This grant reimbursement program provides learners with educational services of the scope and rigor needed for the attainment of a high school diploma. Eligible students are at least 16 years old and have not earned a high school diploma. Adult Education and Literacy providers lead student intake and enrollment, the administration of assessments, and work with each student and the assigned school district to develop the Personalized Learning Plan (PLP) that details their pathway to graduation.
2. **Dual Enrollment:** This program is open to Vermont residents who have completed grade 10 and have not received a high school diploma. The Program shall include college courses offered on the campus of an accredited post-secondary institution and college courses offered by an accredited post-secondary institution on the campus of a secondary school. The Program may include online college courses or components. Established tuition rates are paid by the Agency to the post-secondary institution. An additional \$600,000 match is provided through Next Generation Funds.
3. **Early College:** This program directs the Agency to pay an amount equal to 0.87 times the Base Education Amount as the full tuition for each 12<sup>th</sup> grade Vermont resident student enrolled in an early college program, which includes the Vermont Academy of Science and Technology (16 V.S.A. §4011(e)). Early College programs are developed and operated by Vermont colleges and have been approved by the Secretary for that purpose. Transferred from Statewide Education Spending.
4. **Vermont Academy of Science and Technology (VAST):** VAST operates an approved independent 12<sup>th</sup>-grade program housed at Vermont Technical College. Transferred from Statewide Education Spending.
5. **Secondary School Reform:** To support districts in the implementation of Act 77 and the integration of flexible pathways to graduation, the Agency provided funding for projects that would expand and clarify partnerships between SUs and organizations that support personalization and proficiency-based education. Transferred from Technical Education.
6. **Dual Enrollment Vermont Virtual:** To support more fully the intent of Act 77, and specifically the flexible pathways represented by virtual learning, this funding supports Vermont Virtual Learning Cooperative to provide online courses – created and vetted by licensed instructors -- for those students enrolled in high school and who access dual enrollment coursework. The flexibility of online learning courses allows students to maximize their learning during and beyond the traditional classroom day.
7. **Dual Enrollment Vermont VSAC:** A \$30,000 amount granted to VSAC to support need-based stipends for dual enrollment and early college students. Students who meet the eligibility criteria (based on FRL status) may receive a stipend to help offset the out-of-pocket expenses of books, fees, or transportation. An additional \$30,000 match is provided through Next Generation Funds.

## Technical Education

This funding supports technical education in accordance with 16 V.S.A. §1563 and 1565, state financial assistance.

	FISCAL 2017 APPROP ACT	FISCAL YEAR 2018	
		AGENCY RECOMMEND	FY2017 TO FY2018
<b>CATEGORY OF EXPENDITURE</b>			
GRANTS	13,530,912	13,613,512	82,600
<b>SOURCE OF FUNDS</b>			
EDUCATION FUND	13,530,912	13,613,512	82,600

### SOURCE OF FUNDS DETAIL

<b>(B) EDUCATION FUND</b>			
<b>GRANTS</b>			
1 Tech. Ed. Tuition Reduction	8,762,000	8,831,000	69,000
2 Tech. Ed. Salary Assistance	2,138,000	2,180,000	42,000
3 Tech. Ed. Transportation	1,608,750	1,780,350	171,600
4 Youth Leadership	78,328	100,000	21,672
5 Secondary School Reform	200,000	0	(200,000)
6 Innovative Program Development	243,834	222,162	(21,672)
7 Tech Ed Equipment	500,000	500,000	0
<b>TOTAL GRANTS</b>	<b>13,530,912</b>	<b>13,613,512</b>	<b>82,600</b>
<b>TOTAL EDUCATION FUND</b>	<b>13,530,912</b>	<b>13,613,512</b>	<b>82,600</b>

## Grants

1. CTE Tuition Reduction (Technical Education Tuition Reduction): Funds are disbursed as payments to technical centers to reduce the tuition paid by school districts, based on three-year average enrollments.
2. CTE Salary Assistance (Technical Education Salary Assistance): Funds are disbursed as payments to technical center districts to help defray the costs of salaries for technical center directors, guidance coordinators and cooperative education coordinators.
3. CTE Transportation (Technical Education Transportation): Funds reimburse costs of transporting students to CTE centers. The per mile adjusted reimbursement rate is calculated annually.
4. Career Technical Student Organizations (CTSO) (Youth Leadership): Funds support CTSO's that promote youth leadership development activities and participation in regional, state and national skills competitions.
5. Secondary School Transformation (Secondary School Reform): These grants have been moved to Flexible Pathways.
6. Innovative Program Development: Funds help cover start-up costs for new and innovative CTE programs that prepare students for careers and/or further studies in emerging career fields with high skills, high wage and high demand jobs.
7. CTE Equipment (Technical Education Equipment): Funds are made available to regional career centers through a reimbursement program to update or replace equipment.