

Hidden Cuts and Unfixed Problems

How and Why the Governor's Budget Reduces General Fund Support for Public Education

There are a number of reasons General Fund support for Direct Aid for Public Education drops in the governor's proposed budget for FYs 2025 and 2026. In addition to these hidden cuts and unfixed problems, the Governor's budget does not provide sufficient raises to keep up with expected inflation.

Given the critical findings by JLARC about the need to increase support to help every student reach their potential, any available money due to increases in special funds or changes in projections should be used to improve our public schools, not as an excuse to reduce state funding for students to pay for tax breaks for wealthy individuals.

Using Literary Fund (construction \$\$) instead of GF for retirement

The governor's budget proposes to use \$300 million from the state's Literary Fund to pay a portion of regular state teacher retirement costs in addition to making a super-deposit into the Virginia Retirement System. **House Appropriations staff project that the proposed movement of Literary Fund money to other purposes will result in no Literary Fund money being left for school construction in FY25 or FY26.**

Ending the promised grocery tax offset

The governor's budget proposes to eliminate the state's promised funding to offset the loss of sales tax revenue from groceries and personal hygiene products for schools and local governments. This pushes \$229 million of costs back onto local governments and means that in low-wealth communities with less ability to make up the difference, our students will be less supported.

Not fixing the federal offset rebenchmarking problem

The governor's budget includes a \$388 million reduction in state funding for schools across the upcoming two years due to one-time federal pandemic aid to schools in FY2022. This change, which is a cut in substantive terms, is due to a quirk in the state's rebenchmarking formula that is meant to cover regular updates to enrollment, inflation, and technical changes.

Using savings from reduced ADM for tax cuts instead of funding needs

The state projects that fewer students will be attending public schools. This reduces the cost of providing the same level of services to Virginia's students. Rather than use these savings to improve programs, the governor's budget proposes to move most of the money to other administration priorities outside K-12 education.

