



THE COMMONWEALTH EDUCATIONAL POLICY INSTITUTE

CENTER FOR PUBLIC POLICY - L. DOUGLAS WILDER SCHOOL OF GOVERNMENT AND PUBLIC AFFAIRS

2012 General Assembly Update

Week 1 Update—January 13, 2012

The 2012 General Assembly is now in session

The 2012 General Assembly session began Wednesday, January 11, 2012. The session runs 60 days and is scheduled to end on March 10, 2012. “Cross-over day,” the last day for each house to act on its own bills, is February 14. House and Senate versions of the two-year budget for fiscal years 2013 and 2014 will be released on February 19.

The House Education Committee is scheduled to meet on Mondays at 9:00 a.m. in House Room C and Wednesdays at 8:30 a.m. in the Appropriations Room. The Senate Education and Health Committee will meet on Thursdays at 8:30 a.m. in Senate Room B. Sub-committees will meet periodically throughout the session. Click [here](#) for the schedule of weekly meetings.

State Budget Released

Governor McDonnell submitted his proposed state budget for FY13 and FY14 to the General Assembly money committees on December 19. The plan totals over \$85 billion, including \$34.5 billion in general fund spending and \$51 billion in non-general fund appropriations. While greater than FY12 spending, the general fund budget still lags that of four years ago. In his remarks to the legislative budget writers, Governor McDonnell noted that his plan is focused on a handful of themes: economic development and job growth; government reform and accountability; funding core areas such as education and transportation; addressing specific problems with the Virginia Retirement System (VRS) and transportation; and building cash reserves.

The proposed budget includes more than \$880 million in state savings/reductions or cost avoidances, mostly in the Medicaid and K-12 public education arenas (eliminating inflation factors that total \$325 million for Medicaid and \$109 million for education). Additionally, state employees could be eligible to receive up to a 3% bonus on December 1, 2012 if state agency savings targets are achieved.

The proposal anticipates revenue growth of 3.3% in FY13 and 4.5% in FY14. It includes required payments to the Revenue Stabilization (“Rainy Day”) Fund and sets aside an additional \$20 million for the Federal Action Contingency Trust (FACT) Fund in anticipation of federal revenue reductions (proposed amendments to the FY12 budget earmark \$30 million for the Fund). The proposal also proposes to reduce the \$120 million cut in aid to localities by \$25 million (\$10 million in FY13 and \$15 million in FY14).

Funding for VRS is a significant budget driver of interest to school divisions and local governments. The governor has proposed \$2.2 billion in state and local funding for state employee and teacher pensions. His proposal assumes an 8% return on VRS investments (VRS

uses a 7% return rate); 2.5% inflation and a 30-year amortization period. Details on the retirement provisions for school employees can be found in the next section. No amendment to change the payment of member contributions for Plan 1 (hired prior to July 1, 2010) employees is included.

Lawmakers now have their say in shaping the spending plan, with a compromise budget to be produced by House and Senate leaders due out the second week in March.

Direct Aid to Public Education

The proposed budget for direct aid to public education is increased by \$438 million over the biennium (\$195 million in FY13 and \$243 million in FY14) from FY12 amounts. The spending increase is driven largely by higher retirement, group life and health insurance rates for teachers and other school personnel. The governor proposed an 11.66% retirement rate for teachers, up from the current 6.33% (VRS recommend a 16.77% rate). This rate will cost the state \$342 million over the biennium and localities will pay just over \$600 million. The prevailing non-professional VRS rate has been updated and is funded at 10.23 percent for both years of the biennium (up from 7.72%).

Sales tax distributions are expected to increase, which results in a corresponding reduction/offset in basic aid, leaving a net increase in funding of \$17.6 million in FY13 and \$35.7 million in FY14. Total Lottery proceeds are projected to increase by \$14.4 million to \$450 million in FY13 and by \$19.1 million to \$455 million in FY14, as compared to the FY12 estimate. Additional funds of more than \$140 million are targeted for categorical and incentive programs and \$88 million in additional state dollars is included for recent changes in the local composite index (LCI).

However, accompanying the increases in spending are several proposed policy changes that decrease state support toward the cost of rebenchmarking state and local education costs:

- 1) The spending plan eliminates the inflation factor in calculating the state share of the cost of non-personal support items, thus reducing state costs by \$109 million over the biennium.
- 2) The state saves \$108 million by revising the federal revenue deduction to include a portion of federal stimulus funds (59.2% of total stabilization revenues to school divisions in FY10).
- 3) The budget proposal eliminates a cost-of-competing supplement for support personnel in primarily Northern Virginia school divisions, reducing state costs by over \$64 million for the biennium.

The proposal revises the funding methodology for the Virginia Preschool Initiative (VPI) for at-risk four year olds to use projected kindergarten fall membership, rather than an estimate of four-year-olds based on data from the Virginia Employment Commission. VPI non-participation rates are projected to be the same (25.43%) as in the current fiscal year. This proposal could save the state \$81 million over the biennium.

The governor's budget would include \$3 million over the two years for various reform initiatives. It would establish two programs aimed at enhancing math and science education. The Preparation Pilot Initiative (\$300,000 in FY13; \$400,000 in FY14) would recruit students to major in the fields of mathematics and science to help alleviate the shortage of qualified teachers in these fields. The Math & Science Teacher Recruitment Pilot Initiative (\$500,000 in FY13, \$100,000 in FY14) would set up a pilot initiative to attract, recruit, and retain high-quality diverse individuals to teach science, technology, engineering, or mathematics (STEM) subjects in Virginia's middle and high schools.

The plan would establish a Youth Development Academy pilot program (nearly \$68,000 each year) for rising 9th and 10th graders to focus on civics education, financial literacy, community service, preventive health, character education, and leadership skills.

It would increase funding for Communities in Schools (\$1 million each year), expanding the program to other parts of the state; part of this funding comes from eliminating existing dollars for Project Discovery (\$620,000 each year). The Governor's introduced budget also includes nearly \$309,000 in each year of the biennium for a new Virginia workplace readiness skills assessment and other Board-approved industry certifications. It also targets \$913,000 in each year to pay the testing fees for all tenth-grade students enrolled in a public school in Virginia to take the Preliminary SAT (PSAT) exam. This funding assumes a statewide participation rate of 75 percent.

The introduced budget plan provides \$500,000 more over the biennium to Jobs for Virginia Graduates, a non-profit organization that assists at-risk and disadvantaged youth in graduating from high school and obtaining employment. It also earmarks additional funding for the Race to GED program to address rising costs for testing and for the Virtual Virginia program to support the statewide implementation of the required Economics and Personal Finance course. The additional funding for these programs is being provided from savings resulting from the elimination of the Mentor Teacher in Hard-to-Staff Schools program.

The budget reduces funding for the School Efficiency Review Program by approximately 10%, leaving about \$148,000 for future efficiency reviews. Funding is provided in the Department of Education budget to support performance evaluation training to teachers, principals, division superintendents, and other affected school division personnel in support of the transition to new evaluation models. Funding is also provided to support the creation and operation of the Innovative Education Technical Advisory Group for the purpose of assisting new applicants seeking to establish charter, college laboratory, or virtual schools in Virginia.

Finally, state funding for the Comprehensive Services Act (CSA) for At-Risk Youth and Families is reduced by more than \$22 million over the biennium to reflect an anticipated reduction in caseload and related expenses (program expenditures have been declining for the last several years due to greater use of community-based programs and less reliance on residential programs). The plan also provides \$500,000 in FY13 for a comprehensive audit of the CSA program. The state would save \$10.8 million over the two years by shifting wrap-around school-based services from the mandated pool to the non-mandated pool. The extension of these services was made by State Executive Council policy and is not required by state Code. Funding of \$700,000 is added to the non-mandated pool to offset a portion of the loss of funds.

Click [here](#) for additional information about Governor McDonnell's proposed changes to the public education budget for FY12; and [here](#) for the proposed FY13/FY14 education budget.

Education Legislation

On Monday, Governor McDonnell announced his education agenda for the session. The actions he plans to propose are focused on raising standards for schools and teachers, eliminating the post-Labor Day school opening requirement (see below), expanding educational options, and enhancing teacher quality.

Many education-related bills already have been introduced. Though not specifically listed below, there are numerous bills that have been introduced to allow local school boards, in one fashion or another, to be responsible for setting the school calendar and determining the opening of the school year. In the mid-1980's, the travel and theme park lobbies were successful in pushing the current law that keeps schools from opening prior to Labor Day (though exceptions for a showing of good cause now are allowed to be approved by the Board of Education).

Below is a list of important education legislation introduced so far; additional bills will be listed in next week's report.

[**HB 76**](#) Changes the date for contract renewal for teachers without continuing contract status from April 15 to June 15.

[**HB 78**](#) Requires local school board to report instructional expenditures annually.

[**HB 96**](#) Delays until July 1, 2013, the implementation of new requirements related to the accreditation of schools, passing rates and graduation.

[**HB 224**](#) Directs the Board of Education (BOE) to adopt regulations allowing students to retake Standards of Learning tests that they do not pass.

[**HB 225**](#) Requires the BOE to adopt accreditation regulations based on student growth measures as an alternative to student outcome measures.

[**HB 250**](#) Requires each local school board to report on the percentage of its annual budget allotted to instruction and to allocate 67% of its operating budget to instructional spending.

[**HB 321**](#) Establishes a credit, beginning in tax year 2012, for corporations donating cash or property to nonprofit organizations providing education improvement scholarships to at-risk students in order for them to attend nonpublic elementary or secondary schools.

[**HB 365**](#) Requires each school superintendent to ensure that any student who has been suspended or expelled from school continues to receive an education.

[**HB 366**](#) Prohibits cases of only disorderly or disruptive behavior offenses or technology offenses as providing sufficient cause for a long-term suspension or expulsion (also **HB 544**).

[**HB 469**](#) Requires the BOE to develop or approve a model assessment of algebra readiness for students to take prior to enrolling in non-remedial algebra.

[**HB 488**](#) Requires the BOE to act as liaison between local school divisions and the Virginia High School League (VHSL) to help resolve any disputes that may arise between the parties.

[**HB 504**](#) Requires the Virginia Center for School Safety to provide training on antibullying tactics to public school personnel.

[**HB 547**](#) Allows local school divisions to use any unexpended state funds to provide a one-time bonus of up to three percent to teachers.

[**HB 576**](#) Changes processes by which teachers and certain administrators are evaluated and retained, including replacing continuing contract status with annual contract status for teachers and principals; requiring a two-year probationary status for teachers and principals; termination of annual contracts for just cause; requiring that annual evaluations of teachers, principals, and superintendents include student academic progress as a significant factor; and requiring that reduction in force measures consider performance rather than seniority. The bill has a delayed effective date of July 1, 2013.

[**HB 578**](#) Requires the BOE to develop licensure criteria for teachers who teach only online courses.

[**HB 603**](#) Allows school divisions to have policies that provide for the open enrollment to any school of any student residing within the school division.

[**HB 642**](#) Requires the BOE to adopt regulations adjusting the formula for calculating the final high school accreditation to add points for each student obtaining a diploma and an industry certification.

[**HB 654**](#) Expands the current prohibitions on smoking inside school buildings to include the grounds of such schools, inside any public school administration building and inside any building where a school-sponsored event is being held off site.

[**HB 656**](#) Requires parental notification whenever school administrators begin investigation of a student for a potential violation of school board policy.

[**HB 702**](#) Allows school divisions to provide the health insurance credit currently being provided to retired teachers, to all retired employees of the local school division, with the costs to be borne by the local government (see also [**SB 198**](#)).

[**HB 727**](#) Requires the BOE to establish a statewide uniform grading policy.

[**HB 765**](#) Allows a public or private institution of higher education that operates an approved teacher education program, to operate jointly with one or more local school boards a college partnership laboratory school.

[**HB 886**](#) Reduces the time, from five days to three days, that the attendance officer must act to enforce the compulsory school attendance law concerning students who are chronically or habitually absent from school or truant.

[**HB 905**](#) Prohibits public schools from joining an organization governing interscholastic programs (VHSL) that does not deem eligible for participation a student who, among other things, is receiving home instruction and who has demonstrated evidence of progress for two years (see also [**HB 947**](#) and [**HB 1005**](#)).

[**HB 991**](#) Allows public charter school personnel, at the discretion of the local school board, not be employees of the local school board or boards granting the charter.

[**SB 119**](#) Prohibits a school board from hiring substitute teachers in the core subject areas in middle and high schools, such that staffing of in these areas is by majority of substitutes or unlicensed teachers. The bill also provides that substitutes shall not be employed for more than 90 consecutive or alternating teaching days in the same middle or high school class or public school in these subjects in a year.

[**SB 167**](#) Requires the school principal or his designee to notify the parents of any student who violates a school board policy when such violation could result in the student's expulsion.

[**SB 168**](#) Prohibits the use of closed-circuit cameras for monitoring student conduct in a school, unless necessary to protect the physical safety and security of the students.

[**SB 185**](#) Requires the BOE to require only math and English Standards of Learning for third graders.

[**SB 243**](#) Allows public charter schools to choose whether its employees will participate in VRS, and requires only 75% of public charter elementary school teachers to be licensed and 50% of public charter middle and high school teachers to be licensed.

[SB 256](#) Requires at least 30 minutes of physical activity per day for grades K through 12, effective with the 2014-2015 school year.

[SB 269](#) requires local school boards to accept Junior Reserve Officers Training Corps participation as fulfilling any high school physical education requirement.

[SB 271](#) Requires the Virginia Center for School Safety to provide training on antibullying tactics to school personnel, and allows the Center to include in its audits of school safety, a survey of student safety concerns regarding bullying, gang activity, and acts of violence.

[SB 278](#) Shifts the date of effective contract renewal for teachers without continuing contract status from April 15 to June 15.

E-mail Response

Questions or More Information? Please [contact CEPI](#) if you have any questions or need additional information about the 2012 General Assembly.