

**THE COMMONWEALTH EDUCATIONAL POLICY INSTITUTE**

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

2012 General Assembly Update**Week 7 Update—February 24, 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 News

It was a busy week for budget development at the General Assembly. The House and Senate money committees on Sunday approved changes to the budget introduced by Governor Bob McDonnell. Later in the week, the House overwhelmingly approved its version, even adding in some amendments on the floor. However, the Senate failed to garner the 21 votes needed to approve its version of the budget, as all 20 Democrats voted against the proposed spending plan. The House-approved plan now heads to the Senate Finance Committee, which likely will incorporate into the bill the changes it previously endorsed. However, given the rejection of the Senate plan this past week, it is difficult to predict what will happen to the House bill when it is discussed on the Senate floor this coming week.

Following is a review of the major education-related provisions of the budgets approved by the House and by the Senate Finance Committee:

Both the House and Senate plans pump additional dollars into K-12 education. However, state general fund appropriations for education for FY14 would remain below FY07 levels. Both budgets recommend an additional \$47 million to update K-3 class size reduction costs by rebenchmarking free lunch data. Both also propose to partially restore the cost of competing adjustment for support personnel in primarily Northern Virginia school divisions. The Senate includes \$30.1 million in FY13 and \$12.1 million in FY14, while the House approved floor amendments to provide \$12 million the first year and \$12.3 million the second year. Both plans also address reading intervention. The Senate includes \$8.2 million to expand the Early Intervention Reading Initiative to include 100% of eligible third grade students. Similarly, the House provides \$2.1 million the first year and \$4.1 million the second year to expand this initiative from 25% to 62.5% in the first year and from 25% to 100% in the second year for eligible third grade students.

The House budget provides an additional \$136 million for K-12 above the amounts proposed by Governor McDonnell. It restores \$106 million over the biennium for updating non personal inflation costs (support health insurance premiums, utilities, and gasoline costs for local school divisions). The Senate budget proposes an additional \$165 million above the introduced plan. It targets \$18.2 million for the Virginia Preschool Initiative for At-Risk Four-Year-Olds by updating the per pupil amount from \$6,000 to \$6,800 to reflect a more realistic current cost. It also includes language that any school division granted a waiver of the opening date of the 2011-12 school year under the “good cause” requirements of the law, shall continue to be granted a waiver for the 2012-13 school year.

Concerning retirement issues, the House appropriates \$30 million each year as a state payment of the state share of Virginia Retirement System (VRS) contributions for teacher retirement, to partially offset the portion of the unfunded liability not funded in the current biennium. It appears that this funding is diverted from other education payments, including textbooks and several lottery-funded programs. This action decreases the rate charged to school boards from the 11.66% contained in the introduced budget to 10.23%; the state payment covers 1.13% of the 1.43% difference. The local share in essence, continues to be deferred. The House also proposes that localities contribute to the VRS teacher costs based on an eight percent annualized return (rather than the seven percent recognized by the VRS Board), saving localities an estimated \$70 million in required contributions. A House language amendment gives localities and school boards the option of requiring their Plan 1 employees (pre-July, 2010) to pay a portion or all of the five percent employee contribution. Meanwhile, the Senate would provide \$45 million to assist with the payments for the increase in the retirement employer contribution rates.

Concerning compensation, the House recommends a \$42.2 million revenue reserve fund to pay for a two percent salary hike in FY14 for state employees and Constitutional officers and their employees (\$9 million), contingent on the state meeting revenue projections that year. The Senate includes a 3% bonus for state employees, similar to the plan recommended by the governor and contingent on end of FY12 revenue growth/savings exceeding \$77.2 million. It also includes an additional \$59 million for a two percent pay hike for state employees and state-supported local employees in FY14. However, no teacher salary increase is included in either budget.

Both budgets chip away at the “aid to localities” reduction included in the past two biennial budgets, which should help local governments in their challenges to balance competing needs in their locality. The House amendments would reduce the state’s cut to \$50 million over the biennium (\$27.5 million in FY13 and \$22.5 million in FY14), while the Senate amendments would reduce the figure to \$45 million in FY14, while eliminating the payment in FY13. The Senate action is contingent on funds being available from a one-time deposit from the Mortgage Servicing Settlement after paying for any shortfall in funding for a one-time three percent bonus for state employees. The current biennial reduction is \$120 million, and that the governor’s budget proposed reducing the swipe over the two years by \$25 million.

The House and Senate both reduce funding for the Comprehensive Services Act (CSA) by about \$17.7 million (\$7.3 million the first year and \$10.5 million the second year), reflecting lower caseload growth than anticipated. Caseloads continue to decline as more children leave foster care and obtain permanent homes. While the House proposed to eliminate all funding (\$294,000) for school efficiency reviews, the Senate endorsed an additional \$900,000 over the biennium (\$450,000 each year) for them. In the past eight years, 37 school divisions have volunteered for the reviews, which have identified a total of \$40 million in net annual savings. The Senate’s proposal does increase the share of the cost to be paid by the school division in the year after the review is completed from 37.5% to 50%.

Both plans remove \$700,000 contained in the introduced budget for a Preparation Pilot Initiative to recruit students to major in the fields of mathematics and science to help alleviate the shortage of qualified teachers in these fields.

The House plan funnels an additional \$950,000 to a Youth Development Academy pilot program for rising 9th and 10th graders to focus on civics education, financial literacy, community service, preventive health, character education, and leadership skills. This funding would expand the program to include a pilot program in each superintendent region of the state. Its spending plan seizes a proposed \$1 million each year increase in funding for Communities in Schools (the Senate pulled back half that amount), as well as \$913,000 each year that had been proposed to pay for the testing fees for all tenth-grade students enrolled in a public school in Virginia to take the Preliminary SAT (PSAT) exam.

The House includes language to establish a methodology for virtual schools, effective July 1, 2013. It provides that any school division offering a full-time virtual school program may require students residing within the division who choose to enroll on a full-time basis in a virtual school program, to enroll in such program offered by the school division. For any student who resides in a school division that does not offer such program, a student may choose to enroll on a full-time basis in any virtual school program served by an approved, multidivision online provider. The state and local shares of Standards of Quality funding for any such student are to be provided to the enrolling school division. The Senate provides an additional \$1 million each year for virtual schools.

Click [here](#) for additional information about the proposed House and Senate amendments concerning public education.

Education Legislation

For the first time, the two chambers approved legislation to allow businesses to claim a credit against the corporate income tax for contributions to approved foundations that provide scholarships to needy students, with the intent to reduce state expenditures required for K-12 education. The House approved [HB 321](#) on a 64 to 35 vote on Tuesday. The Senate approved [SB 131](#) on a 20-20, straight party-line vote, with Republican Lieutenant Governor Bill Bolling breaking the tie by voting for the bill. The total amount of credits available in any given fiscal year would be capped at \$10 million in the House bill and \$25 million in the Senate bill, with the credit due to expire in 2017.

In action from this past week, the Senate Education and Health Committee approved the following bills:

[HB 76](#), which shifts the date of effective contract renewal for those teachers without continuing contract status from April 15 to June 15.

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

[HB 576](#) establishes three-year term contracts for teachers who have not achieved continuing contract status. Such teachers will be formally evaluated in the third year of the contract and informally during the first two years. Teachers receiving continuing contract prior to the 2013-14 school year will be allowed to retain such contracts.

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

[HB 886](#), which directs the (BOE) to promulgate regulations by July 1, 2013, to address truancy.

[HB 250](#), which requires each school board to report annually to the Board of Education (BOE) the percentage of its annual operating budget allocated to instructional costs, and the Board to include the information in the annual School Performance Report Card, was approved by the full Senate.

In House Education this past week, [SB 167](#) was stricken. It would have directed school principals to notify parents of any student who has violated a school board policy that will result in the student's suspension or expulsion, or notification of law enforcement. Also stricken in the House Rules Committee was [SB 185](#), which would have delayed implementation of science and history SOL tests administration to the fifth grade (currently, the tests are first administered in the third grade). A subcommittee has recommended approval of [SB 656](#), which requires local school boards to adopt and implement policies for possession and administration of epinephrine in schools.

A subcommittee tabled [SB 389](#), which would have allowed localities to prohibit the possession of pneumatic guns on school property, at a school function held on property open to the public, and on school buses. The 2011 General Assembly approved legislation prohibiting such guns. [SB 271](#), which requires the Virginia Center for School Safety to provide training on antibullying tactics to school personnel, passed the House.

Next week, the Senate Education and Health Committee will take up bills to repeal the post-Labor Day school opening requirement, which passed the House handily. The committee defeated a similar bill on this topic on a 9 to 6 vote earlier in the session. The committee also will hear [HB 947](#), the so-called “Tebow” bill concerning homeschool student participation in public school interscholastic activities. Tim Tebow is a former homeschooler who played college football at the University of Florida before starring this past year with the Denver Broncos.

E-mail Response

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