

**THE COMMONWEALTH EDUCATIONAL POLICY INSTITUTE**

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

2012 General Assembly Update**Week 5 Update—February 10, 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

House and Senate money committees are shaping their respective spending plans behind the scenes at the General Assembly, though their subcommittee discussions and approaches to big ticket items like transportation and the VRS are providing hints of what to expect when the committees report out their budgets on February 19.

This past week, a number of bills that proposed new state tax credits or changes in tax policy were carried over or passed by for the year in the Senate Finance Committee, with a recommendation that they be referred to a tax reform commission. It was later stated by the Committee chairman that it is the intention of the legislature to establish either a joint study committee to examine such bills and relevant tax policy issues in the offseason, or to possibly schedule a special session of the General Assembly this coming summer to do so.

Modifying the Virginia Retirement System (VRS) also will figure into House and Senate negotiations over the budget. The House and Senate are taking much different paths regarding their alterations to the state pension plan. The House Appropriations Committee endorsed [HB 1129](#) and [HB 1130](#) at its Friday afternoon meeting. HB 1129 is largely the plan offered by the governor, with the exception that it removes the additional one percent employee contribution to the pension fund by new state employee hires that had been proposed. HB 1130 is an optional hybrid retirement plan for certain state employees. Meanwhile, the Senate Finance Committee has approved three bills:

[SB 298](#) requires the VRS Board to conduct a fiscal impact analysis whenever the appropriation for employer contribution rates included in the budget bill submitted by the Governor to the General Assembly is less than the Board-certified contribution rate, or when either house of the General Assembly adopts an amendment to

the budget appropriating less than the Board-certified contribution rate.

[SB 497](#) will require local governments and school divisions to give 5 percent pay raises to their employees to offset a requirement that workers contribute 5 percent of their pay toward their pensions.

[SB 498](#) requires future state and local employees to participate in a hybrid retirement plan that would offer reduced benefits to those hired on or after Jan. 1, 2014. Here are the details:

- Retains the current Plan 1 and Plan 2 provisions for current members.
- Requires participation in the plan for all new state and local employees on or after Jan. 1, 2014, except for hazardous duty employees to be enrolled in the hybrid plan.
- Allows current employees to choose to participate in this plan or remain in the current plan.
- Extends a disability program to teachers and local employees.
- Contains a multiplier of 1 percent for the defined benefit component and a required employee contribution of 4 percent. The employer rate would be determined when rates are set for the defined benefit program.
- Phases-in the full VRS Board-certified rates for state employees and teachers over the next three biennia; the effective date of the bill would be January 1, 2014.

A staff report on the bill noted that the existing unfunded liability of the pension system will cause VRS contribution rates to increase and remain high. It noted that the long term trend of increasing rates is unsustainable, and that reductions in benefits and financing reform are both needed to address the unfunded liability. It also stressed that establishing achievable rates of return on investments is essential and that payment of the VRS Board-certified rates, which the legislature rarely does (only twice in the last 20 years for teachers and four times for state employees), is essential for long term reduction of the unfunded liability. Just a decade ago, the pension fund had a \$1.5 billion surplus. Investment gains/losses, benefit changes and the aforementioned underfunding all have contributed to the \$6 billion state employee unfunded liability and nearly \$13 million unfunded teacher liability.

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

In action from this past week, the House and Senate both are advancing legislation that would change the processes by which teachers are evaluated and retained. [HB 576](#) and [SB 438](#) establish 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. The teacher probationary period is increased from three years to five years before a teacher can be awarded a three year term contract; however, a teacher who has attained a continuing contract may be required to serve a probationary period in another school division, if such probationary period is made part of the employment contract. The House Education Committee approved its version of the legislation on a 13 to 8 vote, while the Senate bill squeaked out of committee on an 8 to 7 vote, after initially being defeated by the panel. The bills await votes on the House and Senate floors, respectively.

The House Finance Committee reported [HB 321](#) on a party line 15 to 7 vote. The full House has passed similar legislation the past several years, only to see it fail in Senate Committee. The legislation would 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 total amount of credits available in any given fiscal year would be capped at \$10 million. The bill awaits a vote on the House floor.

After divided discussion in both the House Education Committee and the full House chamber, delegates approved **HB 947** to prohibit public schools from joining the Virginia High School League, which does not allow participation by qualifying home school students in interscholastic activities. The bill has been a long-sought initiative of home school advocates. It was approved on a 59 to 39 vote; an enactment clause on the bill makes it effective for five years. The bill now goes to the Senate Education Committee, which has not considered bills on this subject in recent years.

Here's an update on other legislation acted on this past week:

HB 76 Shifts the date of effective contract renewal for those teachers without continuing contract status from April 15 to June 15 (reported unanimously by House Education).

HB 93 Increases the minimum amount of vehicle liability insurance required to be carried by public schools in instances of property damage, medical expense payment coverage and injury accidents. Vehicle liability and property damage insurance coverage for public school transportation vehicles from \$200,000 to \$500,000 for injury under the bill (reported by House Education).

HB 224 Directs the Board of Education (BOE) to adopt regulations allowing students to retake Standards of Learning tests they do not pass (defeated in House Appropriations)

HB 727 Requires the BOE to establish a statewide uniform grading policy (carried over for the year in House Education).

HB 1173 Provides that following a local school board decision to deny a charter school application or to revoke or fail to renew a charter agreement, the school board shall submit documentation to the BOE as to the rationale for the denial or revocation; the BOE will continue to have no authority to grant or deny a charter school application or revoke or fail to renew a charter agreement; the bill also provides that (i) local school boards may elect whether charter school personnel are employees of the charter school or of the local school division; and (ii) the amount of funds provided to the charter school by the local school board shall not be less than 90% of the school division's state and local share of the Standards of Quality per pupil funding (passed House 61 to 37). The Senate version, **SB 440**, was approved by the Senate on a 20 to 18 vote.

SB 167 Directs a school principal to attempt to notify the parents of any student who has violated a school board policy that will result in the student's suspension or expulsion, or the notification of law enforcement (reported by Senate Education and Health; on Senate floor).

SB 389 Allows localities to enact an ordinance to prohibit the possession of pneumatic guns on school property, at school functions held on public property and on school buses (reported by Senate Local Government on a 13 to 2 vote).

SB 553 Provides that local school divisions may elect to use any unexpended state funds to provide a one-time bonus to all teachers of up to three percent of the annual base salary (carried over by Senate Finance; a similar House measure was defeated in the House Appropriations Committee).

E-mail Response

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