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2012 General Assembly Update**Week 2 Update—January 20, 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

Governor McDonnell submitted executive budget amendments this past week. They provide nearly \$6 million in revenue increases and \$44.6 million in additional savings, primarily in the area of Medicaid, and recommend about \$75 million in additional spending. Over \$59 million of that is targeted for K-12 education, the largest chunk of that being \$47 million over the next two years for updating the free lunch percentage for the K-3 class size reduction program.. This data had not been updated when the budget was introduced. The percentage of students eligible for free lunch increased from 27% to 32% due to economy, so since class size reduction is based on free lunch data, more money is needed for this program.

Legislators also submitted hundreds of proposed changes to the introduced biennial budget, including many in the public education area. Most significantly, amendments were proposed to address a pair of items that were reduced in the McDonnell plan. First is in the area of inflation for non-personal costs. Several amendments propose \$109 million over the biennium to update the FY10 base year non-personal costs up to the beginning of FY13, reflecting an average rate of 3.96 percent over two years. Non-personal items like health insurance, utilities, and transportation costs have experienced inflation over the last two year. Without updates for inflation, the state would be basing its funding on FY10 prices, but school divisions will be paying for these items based on current costs. Second, \$108 million over the two years is proposed to restore funding reduced in the introduced budget including in the federal revenue deduct calculation a portion of the American Recovery and Reinvestment Act State Fiscal Stabilization Fund revenues divisions received from FY 2010, the base year for the 2012-14 biennium re-benchmarking.

Several amendments would restore funding for the Virginia Preschool Initiative for At-Risk Four-Year-Olds reduced in the future by the proposed change in the methodology for estimating the number of four-year-olds. Other proposals would postpone the history and science Standards

of Learning testing until the fifth grade in order to focus on improving reading skills in the third grade, a recommendation of the 2011 JLARC Report "Strategies to Promote Third Grade Reading Performances in Virginia". Also based on that report, amendments to provide dollars for the state share of one full-time reading specialist at each elementary school and literacy coaches in elementary schools also were proposed.

Virginia Retirement System

Funding for the Virginia Retirement System (VRS) will be a significant driver of budget deliberations and discussions that are of great interest to school divisions and local governments during this session. The governor's introduced budget proposed \$2.2 billion in state and local funding for state employee and teacher pensions. The governor has laid out the second part of his proposal to reform VRS, a plan he says would provide \$5.8 billion in new money or savings in VRS over the next 21 years. His proposals, which are embodied in [HB 1129](#), include the following:

- Increasing member contributions for state employees (not local employees or teachers) to 6% of payroll for those hired after July 1, 2012. Increased contributions for current employees would be phased- in over two years.
- Calculating average final compensation (AFC) over 60 months rather than 36 months for Plan 1 employees (60-month AFC exists now for Plan 2 employees). A "frozen" 36-month AFC would remain available to Plan 1 employees, who would be entitled to the higher of the frozen 36-month AFC or the then current 60-month AFC at retirement.
- Reducing benefit multiplier from 1.7% to 1.6% for new state and local employees and teachers, hired on or after Jan. 1, 2013.
- Reducing COLA benefit to a maximum of 3%. Members within five years of their unreduced retirement date would be grandfathered.
- Deferring COLA benefit to employees who have reached the age for an unreduced retirement benefit. Members within five years of their unreduced retirement date, as of the effective date of this provision, would be grandfathered.
- Proposing a new creating a new optional hybrid plan for certain state employees.

Meanwhile, on the Senate side, [SB 497](#) requires that persons employed by local government or school board employers be required to pay the five percent employee contribution to VRS. School board employees would be authorized to phase-in the five percent contribution over a maximum of five years. [SB 498](#) would create a new hybrid retirement program that contains both defined contribution and defined benefit components. All new state and local employees beginning employment on or after January 1, 2014, would make an irrevocable election to participate in the hybrid plan or the traditional retirement plan. Employees in-service on December 31, 2013, could make a one-time, irrevocable election to participate in the new hybrid program. [SB 506](#) would allow any locality or school board to establish a defined contribution retirement plan in lieu of any other retirement plan for employees hired after such plan is established.

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

This past week in the Senate Education and Health Committee, [SB 278](#), which would shift the date of effective contract renewal for teachers without continuing contract status from April 15 to June 15, was unanimously approved by the committee. On a split, 11-4 vote, the committee approved [SB 185](#), which would direct the BOE to require only math and English Standards of Learning assessments for third graders. The House Education Committee struck from the docket [HB 488](#) to require the Board of Education 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.

Below is more important education legislation that has been introduced and that will be proceeding through the committee process in the coming weeks:

[HB 1156](#) Directs local school boards to develop policies to maintain at least two auto-injectable epinephrine pens per school.

[HB 1173](#) Provides unsuccessful charter school applicants with an opportunity to testify before the BOE, although the Board 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) a local school board shall no longer have the discretion to revoke a charter if it finds the school is no longer in the public interest or for the welfare of the students; (ii) local school boards may elect whether charter school personnel are employees of the charter school or of the local school division; and (iii) 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.

[HB 1239](#) Increases the state sales and use tax from four percent to five percent beginning January 1, 2013, subject to a statewide referendum on the same. The increase would result in a combined state and local sales and use tax of six percent. One-half of the revenues generated would be deposited into a new special fund, the Supplemental Highway Construction and Maintenance Fund, and one-half of the revenues generated would be used in accordance with the general appropriation act for the provision of mental health services, public K through 12 education, and public higher education.

[HB 1272](#) Provides that any student who enrolls full-time in a virtual school program served by a multi-division online provider outside his school division of residence shall have state and local share of Standards of Quality per pupil funding transferred from the school division of residence to the enrolling school division, not to exceed \$6,500 per pupil.

[SB 329](#) Requires that the parent of a child attending a grant-funded preschool education program shall satisfactorily complete all parenting classes or courses offered by the preschool education program (DEFEATED by Senate Education and Health Committee).

[SB 375](#) Clarifies that an institution of higher education may require that any accepted student provide a complete student record, including any mental health record, from not only his high school, but also any other institution of higher education.

[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.

[SB 391](#) Requires parental notification whenever school administrators begin investigation of a student for a potential violation of school board policy.

[SB 399](#) Requires local school divisions to ensure that Individualized Education Program (IEP) teams consider specific communication needs of hearing-impaired children and address those needs as appropriate in the IEP.

[SB 438](#) 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.

[SB 440](#) Provides that local school boards may elect whether charter school personnel are employees of the charter school or of the local school division; and that the amount of funds provided to the charter school by the local school board not be less than 90% of the school division's state and local share of the Standards of Quality per pupil funding.

[SB 467](#) Expands the prohibition on smoking in the interior of public school buildings to include the grounds of such schools.

[SB 471](#) Requires the BOE to promulgate regulations governing physical education requirements, to be effective beginning with the 2015 - 2016 school year.

[SB 475](#) Allows a public or private institution of higher education that operates an approved teacher education program to jointly operate a college partnership laboratory school with one or more local school boards.

[SB 489](#) Directs the BOE to modify the credits necessary for a student to earn a standard or an advanced studies diploma, which shall be the recommended diploma. The standard diploma shall include a concentration in career and technical education and a requirement to earn a career and technical education credential.

[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.

E-mail Response

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