

Department of Planning and Budget 2023 Fiscal Impact Statement

1. Bill Number: HB1497

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Convirs-Fowler

3. Committee: Education

4. Title: Teachers; required to be compensated at or above national average.

5. Summary: Requires public school teachers to be compensated at a rate that is at or above the national average. Under current law, compensation at such rate is aspirational. The bill requires state funding to be provided pursuant to the general appropriation act in a sum sufficient to fund a five percent annual increase for public school teacher salaries, effective for the 2024-2025 and 2025-2026 school years. The bill has a delayed effective date of July 1, 2024.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Preliminary, see Item 8.

8. Fiscal Implications: This bill has a delayed effective date of July 1, 2024. As such, a budget amendment for the amended budget for the 2022-2024 biennium, HB1400/ SB800, 2023 General Assembly Session, is not necessary to support this legislation; however, the requirements of this bill will have a significant fiscal impact in fiscal year 2025 and beyond.

Governor Youngkin's amended budget, HB1400/ SB800, 2023 General Assembly Session, includes a 5 percent salary increase for all funded Standards of Quality (SOQ) instructional and support positions effective July 1, 2023. Based on the salary increases provided in HB1400/SB800, the Department of Education (DOE) estimates the cost to provide a 5 percent salary increase to teachers in fiscal year 2025 could be approximately \$197.5 million, and the cost to continue this increase and provide an additional increase in fiscal year 2026 would be approximately \$411.5 million. The actual cost to provide a 5 percent salary increase to teachers in fiscal years 2025 and 2026, and the cost of maintaining those increases, as required by the provisions of the bill, is indeterminate and would be based on rebenchmarking of the Direct Aid to Public Education budget for future biennia.

It is not clear if this bill would require DOE to use one single funded salary rate, such as the National Education Association (NEA) national average, to calculate funding, rather than a separate value for elementary and secondary teachers, the prevailing practice. The additional

state cost to fund both elementary and secondary teachers based on the NEA national average would be significant and in excess of the estimated 5 percent salary increases.

Additionally, increases in the base year prevailing salary data will increase the funded SOQ salaries used in rebenchmarking in future biennia and result in increased state costs. Local school divisions would have to provide the local share required to match any additional state funds based on each division's local composite index. Local school divisions would also have to provide the full cost for any positions employed above the SOQ funded for instructional positions. The actual fiscal impact to local school divisions is indeterminate.

9. Specific Agency or Political Subdivisions Affected: Local school divisions, Department of Education

10. Technical Amendment Necessary: No

11. Other Comments: None