

Commission on Local Government

Estimate of Local Fiscal Impact

2021 General Assembly Session

Bill: HB1915

Special Session:

Patron: Mugler

Date: 1/21/2021

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Teacher compensation; at or above national average. Requires that public school teachers 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 4.5 percent annual increase for public school teacher salaries, effective from the 2022-23 school year through the 2026-27 school year. The bill has a delayed effective date of July 1, 2022.

Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$14,800,000.00. A majority of localities responded with no cost, noted that the bill would not impact them because their current average pay scale is above the national average or they are towns and not responsible for schools. One PDC noted that the bill would reduce the teacher turnover, which could ultimately reduce the HR costs. One locality that responded with a cost noted that the estimated cost is for a five year period, and the bill would ultimately require them to increase real estate tax by 7 cents to cover the increased cost, if additional state funding was not provided. One other locality raised the importance of equity because their school division - and many others - find that they need more positions than what the Standards of Quality (SOQ) require and financially support. Consequently, the locality would not only be faced with providing the local share of costs for the SOQ-funded positions but also the entire share of costs for positions that are not recognized by the SOQ.

Local Analysis:

Locality: City of Harrisonburg

Estimated Fiscal Impact: \$14,800,000.00

The financial impact would total approximately \$14.8 million over the 5-year period outlined in this legislation. This is made up of \$2.7 million in 2022-23, \$2.82 million in 2023-24, \$2.95 million in 2024-25, \$3.08 million in 2025-26 and \$3.23 million in 2026-27. Without state funding, the initial \$2.7 million cost in 2022-23 equates to a 7 cent increase in the real estate tax rate.

Locality: City of Manassas

Estimated Fiscal Impact: \$0.00

The City of Manassas pay scale average is currently above the national average. If the mandate is for pay scales to be a minimum of the national average, then the City of Manassas Public Schools meet this criteria already and we do not anticipate a fiscal impact. However, we do have a teacher pay competitiveness issue within our region and call on the Commonwealth to provide additional funding for teacher pay in order to remain competitive and keep teaching positions filled.

Locality: City of Norfolk

Estimated Fiscal Impact: \$0.00

The City of Norfolk has a Revenue Sharing Agreement with the Norfolk Public Schools, the schools would be able to accommodate any salary raise within their share of the agreement with the city.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:** \$0.00

Roanoke City Public Schools, like many other school divisions in Virginia, finds that more positions than are considered Standards of Quality (SOQ) instructional and support positions are needed to truly meet the needs of our students. As a result, any state-implemented raise carries with it not only the obligation that the school division come up with the local share of that cost based on the school division's Composite Index of Local Ability to Pay for SOQ positions, but the full value of the raise for any positions that are above and beyond those that meet the minimum Standards of Quality established by the Commonwealth. We believe it would be detrimental to give some employees the raise (SOQ positions) and not others. Therefore, a 4.5% raise is expected to have a value of approximately \$5.5 million per year, including salary and percentage-based benefits, to our school division. We estimate that the state would calculate this cost, for SOQ positions only, at \$3.5 million. If the state applies the composite index to that figure, the state would fund \$2.35 million and RCPS would be required to fund \$1.15 million, plus the additional \$2 million to fairly apply raises to all employees. Therefore, the annual cost to Roanoke City Public Schools is estimated to be between \$2 - \$3.15 million per year. However, Roanoke City Public Schools has consistently been committed to giving employee raises whenever possible, regardless of whether state funding is made available to support that effort. The amount already budgeted for employee raises annually would cover this increase, making the net impact on our school division's budget virtually neutral. An important difference would be the added value of being able to give a larger increase (4.5%) than we would be able to give without state support (typically closer to 2%), for the same local investment.

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Locality: Town of Marion.

Estimated Fiscal Impact: \$0.00

While the bill certainly has merit, teacher salaries are a function of the county, not the town, so there is no direct budgetary impact to us

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## **Professional and Other Organization**

### **Analysis:**

**Organization:** Northern Neck PDC

Although teachers are paid by localities, if the appropriated amount covers the 4.5 percent increase, local school systems would not bear the fiscal impact of this bill. More positively, if such a bill reduced teacher turnover, HR costs might be reduced if teachers were retained for longer periods in Virginia and not lost to other states due to a subnational payscale.

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