

# Commission on Local Government

## Estimate of Local Fiscal Impact

2024 General Assembly Session | 1/17/24

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 legislation impacting local governments.

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### **HB 187: Teachers and support staff; compensation at or above national average salary (Patron: Nadarius E. Clark )**

**Bill Summary:** Requires that public school teachers be compensated at a rate that is at or above the national average teacher salary. Under current law, compensation at such rate is aspirational. The bill also requires that public school instructional and noninstructional support staff be compensated at a rate that is at or above the national average salary for such staff. The bill requires state funding to be provided pursuant to the general appropriation act in a sum sufficient to fund an annual increase for public school teacher and instructional and noninstructional support staff salaries such that, no later than the 2028-2029 school year, such individuals are compensated at a rate that is at or above the respective national average salary.

**Local Fiscal Impact:**    **Net Additional Expenditure:**   X      **Net Reduction of Revenues:**           

#### **Summary Analysis:**

**Number of Localities Responding: 7 Cities, 7 Counties, 5 Towns, 0 Other**

Localities estimated a negative fiscal impact ranging from \$0 to \$41.2 million once the bill is implemented.

Localities were not able to accurately estimate the fiscal impact over the biennium because of the delayed effective date for state funds. However, given these limitations, the localities that did estimate an impact gave estimates that vary widely because of i) differences in the local composite index, ii) disparities in current salaries for teachers, and iii) differences in how units of local government fund their school divisions—either directly each year or through a formula that the school division must allocate separately.

Responsive cities generally indicated a greater impact than responsive counties. None of the responsive towns operate their own school districts. Therefore, they did not indicate a fiscal impact.

This bill will lead to an indeterminate and likely nominal increase in revenues commensurate with any increase in sales tax due to increased incomes.

NB: This estimate was performed on the introduced bill. As of the time of writing, a substitute had been adopted in committee.

**Net Increase in Expenditures: Itemized Estimates by Responding Localities**

Locality	Juris	Recurring Expense- Personnel		Recurring Expense - Operating		Recurring Expense - Capital		Recurring Expense - Other	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
Alexandria	City								
Bedford	County								
Charlotte County	County								
Chesterfield	County								
City of Alexandria	City			6341501.85					
City of Harrisonburg	City	0	780000	0	0	0	0	0	0
City of Norfolk	City								
City of Richmond	City	16286720	9752009						
City of Roanoke	City								
Lynchburg	City			5000000	5000000				
Mecklenburg County	County								
Rappahannock County	County	476102	476102						
Town of Blacksburg	Town								
Town of Chincoteague	Town								
Town of Christiansburg	Town								
Town of Rocky Mount	Town								
Town of Victoria	Town								
Wise County	County	1624437.32	1624437.32						
Prince George	County								

**Net Increase in Expenditures: Itemized Estimates by Responding Localities**

Locality	Nonrecurring Expense - Operating		Nonrecurring Expense - Capital		Nonrecurring Expense - Other		Total Increase in Expenses (Biennium Total)
	FY25	FY26	FY25	FY26	FY25	FY26	
Alexandria							0
Bedford							0
Charlotte County						0	0
Chesterfield							0
City of Alexandria						0	6,341,502
City of Harrisonburg	10000	10000	0	0	0	0	800,000
City of Norfolk							0
City of Richmond	15183006						41,221,735
City of Roanoke							0
Lynchburg							10,000,000
Mecklenburg County							0
Rappahannock County						0	952,204
Town of Blacksburg							0
Town of Chincoteague							0
Town of Christiansburg							0
Town of Rocky Mount							0
Town of Victoria							0
Wise County						0	3,248,875
Prince George							0

Locality	Expenditure Narrative by Responding Localities
Alexandria	
Bedford	Cannot calculate the exact financial impact of this bill due to lack of information provided.
Charlotte County	Without knowing what national average is and the amount required locally, this is hard to predict. Each 1% increase is a \$130K annual increase for Charlotte County, just for non-SOQ positions and over \$300K for all positions.
Chesterfield	Chesterfield already funds positions above required minimum
City of Alexandria	ACPS average teacher and support salary is already above the national average. To raise the minimum teacher pay to the national average, ACPS' teacher pay scale would need to increase 18%. Without dollar-for-dollar State funding, the local fiscal impact of this change would likely be several million dollars. Just a 3% increase for instructional and support position salaries would require a \$6.3M local match for the City of Alexandria at the current funding distribution.
City of Harrisonburg	recurring expenditure changes for FY 2026 stem from the requirement to give a 3% raise for this year to educators. One time expenditure changes included costs for staff time needed to evaluate salaries and implement raises.
City of Norfolk	This bill will not have a direct impact on the City of Norfolk as the city has a revenue sharing agreement with Norfolk Public Schools (NPS). NPS receives a generous percentage of certain city revenues annually, to create their budget along with all state and federal revenues allocated to NPS. With the additional funding mentioned in the bill for the salary increases and the local revenues allocated to NPS through the revenue sharing formula, the city would have no increased cost.
City of Richmond	<p>According to the National Education Association the average classroom teacher salary in 2022-2023 school year was \$68,469. Currently 1,356 Richmond Public School teachers earn below this salary. The current Collective Bargaining Agreement with Richmond Public Schools includes a 3% raise plus 1.17% merit step increase in 2025 and 2026. Estimates include all teaching positions from all funding sources.</p> <p><b>**Our narrative is preliminary due to not being aware of the full scale of the salaries below the national average. A more detailed analysis has the potential to have a significant fiscal impact.</b></p>
City of Roanoke	No expenditure estimated due to costs managed by Roanoke City Public Schools. City of Roanoke policy stipulates 40% of General Property and Local Taxes. These increases may initiate conversation on formula funding changes that must be approved by City Council.

Locality	Expenditure Narrative by Responding Localities
Lynchburg	It really depends on the % increase in each year. I'm thinking that would be at least 10% jump start for 2025 and 2026. The City would be required to fund the non-SOQ positions.
Mecklenburg County	The fiscal impact of this bill within the two-year window is dependent on actions by the General Assembly. Enactment clause #2 provides that the goal of the bill be met by FY 2029. Thus, the bill provides the General Assembly with much leeway to fund the goal between FY 2025 and FY 2029. Without knowing, the actual planned distribution, nor what "national average" may be by that time, it isn't possible to fill out the table above. Nevertheless, every 1% raise for public school employees presently is approximately \$550-600,000; though every increase towards national average along the way would have an impact on that amount as the baseline for the calculation would change.
Rappahannock County	One analysis online suggests that the difference between the VA average salary and the national average is \$6,365. I do not have the data to calculate an actual local impact, so I will assume the locality will have to cover 85% of increased expense ( $0.85 * \$6,365 = \$5,410/\text{position} * 88 \text{ instructional positions} = \$476,102 \text{ per year}$ ). This equates to approximately 2.5 pennies of revenue from our real estate tax rate, WITHOUT considering increases to fringes (FICA, VRS, etc.).
Town of Blacksburg	This bill does not apply to the Town of Blacksburg.
Town of Chincoteague	
Town of Christiansburg	The Town of Christiansburg does not maintain a public school system - we rely on Montgomery County Public Schools.
Town of Rocky Mount	
Town of Victoria	
Wise County	Total increase is \$8,041,768.94. With Wise County's composite index, the cost to the county is \$1,624,437.32
Prince George	HB 187 will hit in FY29 (no impacts for FY25 or 26), but very large impacts for FY29 and beyond to both the state and local governments. No way to determine what the national averages will be in FY29 or what the personnel complement will be (SOQ and non-SOQ).