

# Commission on Local Government

## Estimate of Local Fiscal Impact

2022 General Assembly Session

**Bill:** SB 157

**Special Session:**

**Patron:** Hashmi

**Date:** 1/26/2022

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:

Competitive compensation for certain positions in public elementary and secondary schools. Declares it the goal of the Commonwealth that its public school teachers and all other individuals employed in Standards of Quality-funded positions be compensated at a rate that is competitive, defined as at or above the national average salary for the position, in order to attract and keep highly qualified individuals in such positions. The bill requires state funding to be provided pursuant to the general appropriation act in a sum sufficient to fund a five percent annual pay increase for each such position, effective from the 2023%9624 school year through the 2027%9628 school year, provided that such five percent annual pay increase (i) is subject to a local matching requirement in accordance with each local school board's composite index of local ability-to-pay and (ii) shall be adjusted annually as necessary to account for rebenchmarking and to yield a rate of compensation percentage increase for all Standards of Quality-funded positions that is pegged to providing a competitive average teacher salary in the Commonwealth. The bill has a delayed effective date of July 1, 2023.

### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0 - \$109.0 million.

Localities reported significant negative fiscal impacts incurred by the bill, stemming from the annual increases in local match for teacher salary adjustments.

Several localities noted that their cost estimates would need to include all teachers and teaching positions employed, rather than those covered by the Standards of Quality (SOQs), increasing the negative fiscal impact; furthermore, several mentioned that all localities fund their school divisions above the requirements set out in the SOQs. Localities mentioned that changes to the Standards of Quality (SOQs) would be needed in order to reduce the price for school divisions.

The precise fiscal impacts scale with the size of the school division; localities with more students reported greater fiscal impacts than localities with fewer. The proposed legislation impacts cities and counties only, as schools are not a function of towns.

### Local Analysis:

**Locality:** City of Harrisonburg

**Estimated Fiscal Impact:** \$1,100,000.00

Total cost would be approximately \$3.25 million with local share being approximately 35% or \$1.1 million.

**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$2,500,000.00

The bill would have a large cost to localities. The current Standards of Quality only includes a subset of the teachers employed by Manassas Public Schools. Every school division in Virginia operates above the SOQ allocations of staff. Any additional staff above the SOQ formula are funded 100% by the locality. We have some teachers that are covered by SOQ funding and other teachers of the same grade/subject matter not covered by SOQ funding because the SOQ formula does not fund enough positions. If this bill were to pass, we would either be faced with paying similarly situated teachers different salaries due to being an SOQ-funded position or not, or have to pick up the entire cost differential to ensure both salaries are competitive.

Likewise, the bill's language reflects a local match according to the school board's composite index of local ability-to-pay. The composite index does not take into account the type of student population and the supports they need. For example, 2/3 of Manassas students are considered "economically disadvantaged" by the federal government and approximately 1/2 of our students are English Language Learners (ELL). These types of student populations typically require higher level of supports (smaller class sizes, translators, materials, etc.) but these are not factored into the composite index.

Just to fund a 5% salary increase as was proposed in Governor Northam's budget submission, the cost to the City of Manassas would be \$2,500,000 even after accounting for additional state funding. A 5% increase will not achieve salaries for all positions to be at or above the national average salary for the position. Therefore, the potential fiscal impact is likely greater than \$2,500,000.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:** \$50,800,000.00

Without changes to the Standards of Quality to fund the total positions actually needed to provide quality education, this proposal would carry a significant price tag for our school division. We would be required to pay our share for those positions partially funded by the state, and the full cost of all other positions. As a reminder, the state defines what positions are needed to meet standards of quality, but capped the number of support positions the state would help fund during the recession over a decade ago. That cap has never been lifted, so even though the state says certain positions are needed, there is no state funding provided to help school divisions make those positions available. This is why the local share is actually so much greater than the state estimate of local share for state funded SOQ positions. Estimated added cost FY24 = \$11M vs. state share of \$6.5M (per VDOE calc tool) so RCPS added cost = \$4.6M. Compounding that across FY25-28 results in total expected local cost in FY24-28 of \$50.8M.

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**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$800,000.00

Significant cost to localities.

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**Locality:** County of Fauquier

**Estimated Fiscal Impact:** \$4,500,000.00

Any compensation measures for public education should include adjustments to the SOQ to realistic levels maintained across all school districts. SOQ funded positions are often 33-50% less than the total positions required to meet necessary staffing levels in the public school system. To add an additional local match requirement makes the costs to funding these levels of raises at 75-80% locally funded rather than state funded, which further restricts local dollars to fund other initiatives or compensation measures across all units of local government including public safety, social services, etc.

Amount noted is the annual, local cost of a 5% raise for all positions in the school system, with associated benefits costs. This is the equivalent to an annual local tax increase of 4.0 cents, annually.

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**Locality:** Fairfax County

**Estimated Fiscal Impact:** \$100,900,000.00

A required local match based on the division LCI would be required every year, through FY 2028. For FY 2023, the total cost to provide a 5% salary increase totals \$124.9 million. After accounting for state funding, the net local cost to Fairfax County Public Schools would be \$100.9 million. FCPS must pay 100% of any salary increase for non-SOQ positions and must also make up the difference between state recognized salaries as used in funding formulas and the actual salaries of FCPS personnel.

A similar and likely increasing net local cost would occur each year, but exact amounts cannot be calculated as they would be based on future re-benchmarks of the Direct Aid to Public Education budget.

**Locality:** Norfolk

**Estimated Fiscal Impact:** \$7,300,000.00

The estimated impact is calculated based on the Local Composite Index and number of Standards of Quality funded positions for Norfolk Public Schools, \$2.4M of the total impact is due to non Standards of Quality positions.

**Locality:** Town of Leesburg

**Estimated Fiscal Impact:** \$0.00

The Town does not have schools so this bill does not affect the Town.

**Locality:** Town of Marion.

**Estimated Fiscal Impact:** \$0.00

No impact to town