

Department of Planning and Budget 2023 Fiscal Impact Statement

1. **Bill Number:** HB1566

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Rasoul

3. **Committee:** Education

4. **Title:** Compensation of public school teachers and other Standards of Quality-funded positions.

5. **Summary:** Requires the Commonwealth to compensate its public school teachers at a rate that is competitive, defined in current law as at or above the national average teacher salary, in order to attract and keep highly qualified teachers. Current law declares it the policy of the Commonwealth to compensate public school teachers at such competitive rate but does not require it. The bill requires the Department of Education to conduct an annual calculation to determine the estimated national average teacher salary for each year of the current budget biennium that relies on the most up-to-date data from the source of the 50-state average salary of K-12 teachers in public school set forth in the annual *Virginia Compared with the Other States* report published by the Joint Legislative Audit and Review Commission. The bill permits the Department, in making such calculation, to use the trends of the percent change for the national average teacher salaries in the two to four years prior to project averages in each year of the current and upcoming biennia. The bill requires the results of such calculation to be reported to the Governor, the General Assembly, and the Board of Education by June 1 of each year. The bill also requires state funding to be provided pursuant to the general appropriation act in a sum sufficient to fund a certain flat percent annual pay increase for each individual employed in a Standards of Quality-funded position. 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.

The data source of the average teacher salary information in the Joint Legislative Audit and Review Commission's *Virginia Compared with the Other States* report is the National Education Association (NEA). This bill would require the Department of Education (DOE)

to duplicate work performed by the NEA to calculate statewide average teacher salaries of all 50 states. This NEA data also is provided in DOE's annual teacher salary survey report to the General Assembly.

The most up to date data available from the NEA was provided in fiscal year 2022 based on fiscal year 2021 data. The data indicates that the national average teacher salary in FY 2021 was \$65,293 and that Virginia's average salary was \$58,506, which indicates that salaries would need to be increased by 11.6 percent to meet the national average. Chapter 1, 2022, Acts of Assembly, Special Session I, funded a 5.0 percent compensation supplement in FY 2022. HB 1400/ SB800, 2023 General Assembly Session, funds a 5.0 percent compensation supplement in fiscal year 2023, and an additional 5.0 percent compensation supplement in fiscal year 2024. Calculations for a national average salary would necessarily rely on historical data and therefore would not account for actions taken in the most recent years in Virginia or in other states.

It is not possible to predict what increase in salary would be necessary each year in order to maintain a national average salary since other states' actions each year would affect this average. For reference the 5 percent compensation supplement for all SOQ funded instructional and support positions in fiscal year 2023 has a state cost of approximately \$232 million, and the state cost of maintaining this increase in fiscal year 2024 and providing an additional 5 percent increase is approximately \$530 million dollars, as funded in HB1400/SB800. The actual cost to provide similar salary increases in fiscal year 2025 and beyond, 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.

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: Department of Education, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: This bill is identical to SB1215.