

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB187

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Clark

3. Committee: Passed both houses.

4. Title: Average teacher salary in the Commonwealth; national average

5. Summary: Requires the Governor's introduced budget bills for the 2025, 2026, and 2027 Regular Sessions of the General Assembly to propose funding for, and state funding to be provided pursuant to the general appropriation act enacted during any regular or special session of the General Assembly during 2025, 2026, or 2027 to fund, the Commonwealth's share of compensation supplement incentives for Standards of Quality-funded instructional and support positions sufficient to increase the average teacher salary in the Commonwealth to at least the national average teacher salary by the end of the 2026–2028 biennium and establishes a detailed timeline and process for satisfying such requirement.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Final, see item 8.

8. Fiscal Implications: This bill requires state funding to be provided pursuant to the general appropriation act enacted during any regular or special session of the General Assembly during 2025, 2026, or 2027 to fund the state's share of compensation supplement incentives for Standards of Quality (SOQ) funded instructional and support positions sufficient to increase the average teacher salary in the Commonwealth to at least the national average teacher salary by the end of the 2026-2028 biennium. As such, a budget amendment is not required in the current General Assembly Session.

The bill directs a methodology to project the national average teacher salary in FY28 using the most recent national average teacher salary, actual or estimated, published by the National Education Association (NEA), adjusted by the actual and forecasted percentage change in the U.S. Average Consumer Price Index for all items, all urban consumers (CPI-U). The NEA's Ranking of the States 2022 and Estimates of School Statistics 2023, published in April 2023, reports an actual U.S. average public school teacher salary of \$66,745 for 2021-2022 (FY22) and an estimated average salary of \$68,469 for 2022-2023 (FY23). For the purposes of this estimate, the following CPI-U values were used based on data from the U.S. Bureau of Labor Statistics and Moody's Analytics, provided by the Virginia Department of Taxation:

Year	2023	2024	2025	2026	2027	2028
CPI-U	6.27%	3.12%	2.47%	2.28%	2.21%	2.13%

If the actual FY22 actual salary is used, with these rates and applying the methodology described in the bill, the Department of Education (DOE) estimates a FY28 national average teacher salary of \$80,021. If the FY23 estimated salary is used, the estimated FY28 national average teacher salary is \$77,245.

The bill directs a methodology to project the current-year average teacher salary in the Commonwealth by using the most recent average teacher salary in the Commonwealth published by the NEA, and adjusting it to recognize prior compensation supplements provided. The NEA's Ranking of the States 2022 and Estimates of School Statistics 2023, published in April 2023, reports a Virginia average teacher salary of \$61,367 for 2021-2022 (FY22). Since FY22, Virginia's enacted budgets have provided the state share of funding for a 5.0 percent compensation supplement effective August 1, 2022 (FY23), a 5.0 percent compensation supplement effective July 1, 2023 (FY24), and a 2.0 percent compensation supplement effective January 1, 2024 (FY24), for SOQ funded instructional and support positions. Applying these compensation supplements as described in the bill, DOE estimates a current-year Virginia average teacher salary of \$69,010.

The actual compensation supplement percentage required to meet the provisions of this bill is indeterminate at this time and would depend on the latest national and Virginia average salaries, updated inflation data, and any compensation supplements provided before the development of the Governor's Introduced Budget for the 2025 Regular Session of the General Assembly. The estimates provided below are based on the latest data available at this time.

Using NEA reported FY22 actual national average teacher salary

Based on the current-year Virginia average teacher salary estimate of \$69,010 and the FY28 projected national average salary of \$80,021, in order to increase the estimated current-year Virginia average teacher salary to the projected FY28 national average teacher salary, a 16.0 percent compensation supplement is required. The bill directs that at least one third of this compensation supplement shall be provided in FY26, at least one half shall be provided in FY27, and the remainder shall be provided in FY28. This results in a 5.3 percent compensation supplement in FY26, an 8.0 percent compensation supplement in FY27, and a 2.7 percent compensation supplement in FY28.

The Governor's Introduced Budget for the 2024-2026 biennium, HB/SB30, 2024 General Assembly Session, provides \$121.8 million general fund in FY26 for the state share of a 2.0 percent compensation supplement for all SOQ funded instructional and support positions. The additional cost to provide the state share of the total of a 5.3 percent compensation supplement to all SOQ funded instructional and support positions in FY26, above the funding provided in HB/SB30, is estimated to be \$202.5 million general fund.

Any actual state cost to provide an 8.0 percent compensation supplement in FY27 and a 2.7 percent compensation supplement in FY28 is indeterminate at this time and would be based on the Direct Aid to Public Education budget as rebenchmarked for the 2026-2028 biennium. However, if estimated using a FY26 base, the additional cost to provide the state share of an additional 8.0 percent compensation supplement, above the initial 5.3 percent, would be \$491.0 million general fund in FY27. If estimated using a FY26 base, the additional cost to provide the

state share of an additional 2.7 percent compensation supplement, above the 5.3 percent and 8.0 percent, would be \$165.7 million general fund in FY28. These amounts are the estimated incremental state cost each year for these compensation supplements. In each year, the state also would have to maintain funding for the compensation supplements provided in the previous years.

Local school divisions will be required to provide local matching funds for these compensation supplements based on each school division's local composite index. The estimated required local match for the 2.0 percent compensation supplement in HB/SB30 is \$99.1 million in FY26. The additional estimated required local match for each compensation supplement required by this bill is \$164.9 million in FY26, \$399.7 million in FY27, and \$134.9 million in FY28. Again, these amounts are the estimated incremental local cost each year for these compensation supplements. In each year, localities also would have to maintain funding for the compensation supplements provided in the previous years. Additionally, local school divisions will be required to support the entire cost of these compensation supplements for positions that the division employs beyond those required by the SOQs and that are supported entirely by local funds. Further, the actual cost for each division to support the percentage increases required by this bill will vary based on actual teacher salaries in the division. The actual fiscal impact to local school divisions is indeterminate at this time.

Using NEA reported FY23 estimated national average teacher salary

Based on the current-year Virginia average teacher salary estimate of \$69,010 and the FY28 projected national average salary of \$77,245, in order to increase the estimated current-year Virginia average teacher salary to the projected FY28 national average teacher salary, a 12.0 percent compensation supplement is required. The bill directs that at least one third of this compensation supplement shall be provided in FY26, at least one half shall be provided in FY27, and the remainder shall be provided in FY28. This results in a 4.0 percent compensation supplement in FY26, a 6.0 percent compensation supplement in FY27, and a 2.0 percent compensation supplement in FY28.

HB/SB30 provides \$121.8 million general fund in FY26 for the state share of a 2.0 percent compensation supplement for all SOQ funded instructional and support positions. The additional cost to provide the state share of the total of a 4.0 percent compensation supplement to all SOQ funded instructional and support positions in FY26, above the funding provided in HB/SB30, is estimated to be \$122.8 million general fund.

Any actual state cost to provide a 6.0 percent compensation supplement in FY27 and a 2.0 percent compensation supplement in FY28 is indeterminate at this time and would be based on the Direct Aid to Public Education budget as rebenchmarked for the 2026-2028 biennium. However, if estimated using a FY26 base, the additional cost to provide the state share of an additional 6.0 percent compensation supplement, above the initial 4.0 percent, would be \$368.3 million general fund in FY27. If estimated using a FY26 base, the additional cost to provide the state share of an additional 2.0 percent compensation supplement, above the 4.0 percent and 6.0 percent, would be \$122.8 million general fund in FY28. These amounts are the estimated incremental state cost each year for these compensation supplements. In each year, the state also would have to maintain funding for the compensation supplements provided in the previous years.

Local school divisions will be required to provide local matching funds for these compensation supplements based on each school division's local composite index. The estimated required local match for the 2.0 percent compensation supplement in HB/SB30 is \$99.1 million in FY26. The additional estimated required local match for each compensation supplement required by this bill is \$99.1 million in FY26, \$297.3 million in FY27, and \$99.1 million in FY28. Again, these amounts are the estimated incremental local cost each year for these compensation supplements. In each year, localities also would have to maintain funding for the compensation supplements provided in the previous years. Additionally, local school divisions will be required to support the entire cost of these compensation supplements for positions that the division employs beyond those required by the SOQs and that are supported entirely by local funds. Further, the actual cost for each division to support the percentage increases required by this bill will vary based on actual teacher salaries in the division. The actual fiscal impact to local school divisions is indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Department of Education, Department of Planning and Budget, local school divisions

10. Technical Amendment Necessary: No

11. Other Comments: This bill is identical to SB104.