

**Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB1594

Patron: Clark

Bill Title: Teachers; timeline and process for increasing salaries to at least national average.

Bill Summary: Requires the Governor's introduced budget bills for the 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 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.

Budget Amendment Necessary: No

Items Impacted: 125

Explanation: This bill directs that the Governor’s introduced budget bills for the 2026 and 2027 session shall propose certain funding, therefore no budget amendment is necessary for the current biennium. Additional funding would be required in future biennia. Any impact to local school divisions is indeterminate.

Fiscal Summary: At this time, any state fiscal impact for future biennia is indeterminate given the uncertainty of national teacher salary growth, the future number of state-supported K-12 staff, and the outcome of rebenchmarking for the 2026-2028 biennium. The table below, though, provides an estimated range of cost utilizing the funding presently authorized for fiscal year 2026. Because each local school division would need to cover its unique proportional local share for the state-supported K-12 staff salary increases, as well as for salary increases for those positions not supported with state funding, any cost increases per local school division is indeterminate.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
197 (Direct Aid)	\$0	\$0	\$323.8M- \$333.5M	\$663.9M- \$683.8M	indeterminate	indeterminate
TOTAL	\$0	\$0	\$323.8M- \$333.5M	\$663.9M- \$683.8M	indeterminate	indeterminate

Fiscal Analysis: This bill requires the Governor’s introduced budget bills for the 2026 and 2027 Regular sessions of the General Assembly to include funding for the state share of a compensation supplements for instructional and support positions sufficient to increase the average teacher salary in the Commonwealth to

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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 from the source used in JLARC's Virginia Compared with the Other States report, which is 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 2023 and Estimates of School Statistics 2024, published in April 2024 and updated in September 2024, reports an actual U.S. average public school teacher salary of \$69,597 for 2022-2023 (FY23) and an estimated average salary of \$71,835 for 2023-2024 (FY24). 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	4.13%	2.92%	2.34%	2.76%	2.50%	2.25%

If the actual FY23 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 \$78,949. If the FY23 estimated salary is used, the estimated FY28 national average teacher salary is \$79,176.

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 from the source used in JLARC's Virginia Compared with the Other States report, which is the National Education Association (NEA), and adjusting it to recognize prior compensation supplements provided. The NEA's Ranking of the States 2023 and Estimates of School Statistics 2024, published in April 2024 and updated in September 2024, reports a Virginia average teacher salary of \$63,103 for 2022-2023 (FY23). Since FY23, Virginia's enacted budgets have provided the state share of funding for a 5.0 percent compensation supplement effective July 1, 2023 (FY24), a 2.0 percent compensation supplement effective January 1, 2024 (FY24), a 3.0 percent compensation supplement effective July 1, 2024 (FY25), and a 3.0 percent compensation supplement effective July 1, 2025 (FY26) for SOQ funded instructional and support positions. Applying these compensation supplements as described in the bill, DOE estimates a FY26 Virginia average teacher salary of \$71,699.

Using NEA reported FY23 actual national average teacher salary

Based on the FY26 Virginia average teacher salary estimate of \$71,699 and the FY28 projected national average salary of \$78,949, in order to increase the estimated FY26 Virginia average teacher salary to the projected FY28 national average teacher salary, a 10.1 percent compensation supplement is required. The bill directs that at least one half of this compensation supplement shall be provided in FY27 and the remainder shall be provided in FY28. This results in a 5.05 percent compensation supplement in FY27, and a 5.05 percent compensation supplement in FY28.

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Any actual state cost to provide a 5.05 percent compensation supplement in FY27 and 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 5.05 percent compensation supplement would be \$323.8 million general fund in FY27. If estimated using a FY26 base, the additional cost to provide the state share of an additional 5.05 percent compensation supplement, above the initial 5.05 percent, would be an additional \$340.1 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.

Using NEA reported FY24 estimated national average teacher salary

Based on the FY26 Virginia average teacher salary estimate of \$71,699 and the FY28 projected national average salary of \$79,176 in order to increase the estimated FY26 Virginia average teacher salary to the projected FY28 national average teacher salary, a 10.4 percent compensation supplement is required. The bill directs that at least one half of this compensation supplement shall be provided in FY27 and the remainder shall be provided in FY28. This results in a 5.2 percent compensation supplement in FY27, and a 5.2 percent compensation supplement in FY28.

Any actual state cost to provide a 5.2 percent compensation supplement in FY27 and 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 5.2 percent compensation supplement would be \$333.5 million general fund in FY27. If estimated using a FY26 base, the additional cost to provide the state share of an additional 5.2 percent compensation supplement, above the initial 5.2 percent, would be \$350.3 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.

For both scenarios, local school divisions will be required to provide local matching funds for these compensation supplements based on each school division's local composite index. 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.

Other: None.