

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB104

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

2. Patron: Lucas

3. Committee: Education

4. Title: Competitive teacher compensation; at or above national average.

5. Summary: Requires the Department of Education to conduct an annual review of the compensation of teachers and consider the Commonwealth’s compensation for teachers relative to the national average teacher salary. Current law requires this review to be completed biennially. The bill also requires that the budget bills introduced for the 2025 and 2026 Regular Sessions of the General Assembly propose funding for the Commonwealth’s share of compensation supplement incentives for Standards of Quality-funded instructional and support positions to remain competitive, as defined in Code.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: This bill requires the Department of Education (DOE) to conduct an annual review of the compensation of teachers and consider the Commonwealth’s compensation for teachers relative to the national average teacher salary. There is no impact to meet this requirement, as DOE currently reports annually on the status of teacher salaries, including a statewide comparison with other states, pursuant to existing language in the appropriation act.

The bill also requires that the Governor’s Introduced Budget for the 2025 and 2026 Regular Sessions of the General Assembly propose funding for the state share of compensation supplements for Standards of Quality (SOQ) funded instructional and support positions to remain competitive, as defined in Code. The Code defines competitive teacher compensation as “at a minimum, at or above the national average teacher salary.”

At this time, it is not possible to determine the fiscal impact of any compensation supplements that might be required as a result of this bill. Any impact would depend on the national average teacher salary in future years, as defined for development of the Governor’s Introduced Budgets, as well as updated data on actual teacher salaries in Virginia. To provide perspective on the potential state cost, based on the Governor’s Introduced Budget for the 2024-2026 biennium, HB/SB 30, 2024 General Assembly Session, every one percent compensation supplement for SOQ funded instructional and support positions in FY26 results in a state cost of approximately \$61.4 million general fund. Any changes to SOQ

funded positions or salaries during the current or future General Assembly Sessions may impact the cost of compensation supplements in the current and future biennia. In each year that a compensation supplement is provided, the state also would have to maintain funding for the compensation supplements provided in the previous years. Additionally, the Governor's Introduced Budget for the 2026 Regular Session of the General Assembly is the 2026-2028 biennial budget. Any cost to provide compensation supplements in FY27 or FY28 would depend on the Direct Aid to Public Education budget as rebenchmarked for the 2026-2028 biennium.

Local school divisions would be required to provide local matching funds for any compensation supplements provided based on each school division's local composite index. To provide perspective on the potential local cost, based on HB/SB 30, 2024 General Assembly Session, every one percent compensation supplement for SOQ funded instructional and support positions in FY26 results in a required local match of approximately \$49.6 million. In each year that a compensation supplement is provided, localities also would have to maintain funding for the compensation supplements provided in the previous years. Additionally, local school divisions would be required to support the entire cost of any 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 any required percentage increases to teacher salaries will vary based on actual teacher salaries in the division. Any 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 similar to HB187. DOE notes that if a FY25 compensation supplement is first proposed and funded during the 2025 Regular Session of the General Assembly, it may be difficult for many local school divisions to participate, since this would be mid-FY25, and their adopted budgets may not support the local match for the prescribed state increase.