

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1153-01
Bill No.: HB 717
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
 Department
Type: Original
Date: March 10, 2009

Bill Summary: Amends laws relating to education personnel compensation

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$40,107,377)	(\$40,126,385)	(\$40,130,176)
Total Estimated Net Effect on General Revenue Fund	(\$40,107,377)	(\$40,126,385)	(\$40,130,176)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government*	\$0	\$0	\$0

***Offsetting Income and Disbursements for School Districts is \$40,000,000 annually**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer, Department of Public Safety - Missouri Gaming Commission**, and the **Missouri House of Representatives** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Missouri Senate** state this proposed legislation will either have no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to BAP.

This proposal does not change the amount of gaming monies coming into the state treasury, but it will impact the state budget. The proposal allocates funding from the Schools First Elementary and Secondary Education Improvement Fund, then transfers the remaining Schools First funds to the State School Moneys Fund. The Fiscal Year 2010 Governor's Budget includes \$108.6 million from the existing Schools First Elementary and Secondary Education Improvement Fund along with FY 2009 supplemental funding recommendations of \$29.6 million.

According to officials from the Office of State Treasurer, the Schools First Elementary and Secondary Education Improvement Fund (0919) is not yet active and there is no balance in the fund. **Oversight** assumes that if monies are not available in the Schools First Elementary and

ASSUMPTION (continued)

Secondary Education Improvement Fund to be used for the provisions outlined in this proposed legislation, funding will be transferred from General Revenue.

Officials from the **Department of Elementary and Secondary Education (DESE)** state their agency will require 1.0 FTE assistant director and 1.0 data specialist II to administer and manage the new programs and payments set forth in the proposal.

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the assistant director to correspond with the range for the starting salary posted by DESE for a similar positions. For fiscal note purposes only, **Oversight** has not counted travel in the DESE request.

Officials from the **Public School Retirement System of Missouri/Public Employee Retirement System (PSRS/PEERS)** state the stipends outlined in this proposal shall be used in the calculation of a member's final average salary for retirement. This would only impact those members of PSRS.

Officials from the **Public School Retirement System of the City of St Louis** state this proposal will have no direct effect on their retirement system.

Officials from the **Special School District of St Louis County** state this proposal is not expected to have a material fiscal impact on their district.

Officials from the **Sikeston School District** and the **Charleston School District** responded to a request for fiscal note, but were unable to determine the amount of impact to their respective districts.

This proposal was sent to the Kansas City Public School Retirement System, but they did not respond to a request for fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education (DESE) - Increased teacher salaries and teacher stipends (§163.172; §168.714; §168.716; §168.720)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)
<u>Cost</u> - DESE - Pilot project to recognize excellence in performance by educators (§168.711)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)
<u>Cost</u> - DESE - Administration and management of programs			
Personal Services (2 FTE)	(\$67,403)	(\$83,310)	(\$85,810)
Fringe Benefits	(\$32,778)	(\$40,514)	(\$41,729)
Expense and Equipment	<u>(\$7,196)</u>	<u>(\$2,561)</u>	<u>(\$2,637)</u>
Total administrative costs	<u>(\$107,377)</u>	<u>(\$126,385)</u>	<u>(\$130,176)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$40,107,377)</u>	<u>(\$40,126,385)</u>	<u>(\$40,130,176)</u>
Estimated Net Effect on FTE for General Revenue	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - School Districts - Funding for increased teacher salaries and stipends (§163.172; §168.714; §168.716; §168.720)	\$20,000,000	\$20,000,000	\$20,000,000
<u>Income</u> - School Districts - Educator excellence in performance awards (§168.711)	\$20,000,000	\$20,000,000	\$20,000,000
<u>Cost</u> - School Districts - Disbursements to qualifying teachers (§163.172; §168.714; §168.716; §168.720)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)
<u>Cost</u> - School Districts - Awards to qualifying educators (§168.711)	<u>(\$20,000,000)</u>	<u>(\$20,000,000)</u>	<u>(\$40,000,000)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation establishes several incentive programs for attracting and retaining teachers. The proposal contains the following provisions:

§160.534.2; 163.011; 163.172 - Redirects \$40 million annually of the additional gaming moneys generated by the passage of Proposition A in 2008 to support an increase of the minimum starting teacher salary to \$27,000 and the creation of other teacher stipends. The remaining additional funds will go toward the state school foundation formula.

§168.711 - Establishes a voluntary pay-for-performance plan consisting of a teacher-controlled element with a portfolio and personal attendance rate and three building-wide elements that include improved performance on the statewide assessments, graduation or attendance rates, and

FISCAL DESCRIPTION (continued)

accreditation performance indicators. The stipends under this provision are based on percentages of the teacher's base salary.

§168.714 - Establishes a \$5,000 recruitment stipend for math and science teachers and a \$2,500 recruitment stipend for other teachers in districts that have less than full accreditation or low local wealth.

§168.716 - Establishes a \$2,500 one-time, five-year retention stipend for teachers who are paid \$50,000 or less annually in districts with full accreditation and low local wealth as specified in the proposal.

§168.620 - When any school district that is unaccredited, interim accredited, or provisionally accredited in its Missouri school improvement program cycle status as of April 30, 2009, achieves accreditation without provisions, any certificated teacher with a base pay of fifty thousand dollars or less who is employed by the district on the date of the state board decision to award full accreditation shall receive an accreditation stipend of \$2,500.

The proposal contains provisions that require a good faith effort on the part of recruiting school districts, specify the stipend's relationship to retirement pay, prohibit multiple recruitment stipends, and prorate payback of a stipend if a teacher leaves the district within three years.

§168.211 - Revises the duties and powers of the superintendent of schools in the St. Louis Public School District regarding personnel matters.

§168.110; 168.124; 168.291 - Allows salary schedules to include other factors besides length of service and degree attainment if the other factors are equitably applied and clarifies that decisions regarding reductions in the work force need not be based primarily on seniority.

The provisions establishing teacher incentive amounts will expire six years from the effective date (§168.711, §168.714, §168.716).

The proposal contains an emergency clause for the provisions regarding the minimum salary and the redirection of additional gaming moneys (§160.534, §163.011, and §163.172).

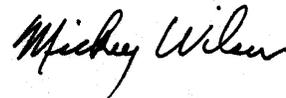
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of State Treasurer
Missouri Senate
Missouri House of Representatives
Department of Public Safety
 Missouri Gaming Commission
Office of Attorney General
Office of Secretary of State
 Administrative Rules Division
Office of Administration
 Division of Budget and Planning
Public School Retirement System of Missouri
Public School Retirement System of the City of St Louis
School District
 Special School District of St Louis County
 Sikeston
 Charleston R-1

NOT RESPONDING

Kansas City Public School Retirement System



Mickey Wilson, CPA
Director
March 10, 2009