

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5042-01
Bill No.: HB 2564
Subject: Education, Elementary and Secondary
Type: Original
Date: February 28, 2020

Bill Summary: This proposal changes provisions governing school superintendent salaries and residency requirements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	More than or Less than \$1,616,667	More than or Less than \$1,940,000	More than or Less than \$1,940,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** assume this proposal has no impact.

Officials from the **Shell knob School District** assume this proposal would have a negative fiscal impact.

Officials from the **Wellsville-Middletown School District** assume most of this bill is a non-issue for our small rural school....especially the pay...we offer no where near the 3.5 times the average teachers' salary. I am concerned, though, about the residency requirement for superintendents, especially for small rural schools, for 2 primary reasons...#1) small schools will have difficulty paying a high enough salary to entice a supt. to uproot his/her family, sell off his/her current house and buy a new one...especially if the supt. spouse works elsewhere and it makes more practical sense to live in the area where the spouse works...and #2) In many small rural communities there is a distinct lack of quality housing.

Officials from the **Spring Bluff School District** assume compensation-3.5 average teacher salary would be a tremendous increase for me in a rural district but not for those in larger districts. I make \$25 a day more than the highest paid teacher without any extra duty pay. I make more simply by working a longer contract 180/260. I am a one man show in my district and compensation for the multiple responsibilities is not taken into consideration. It would be extremely difficult to limit compensation for all districts because the financial status for each one can vary drastically. This should be kept at the local level.

Residing in district-requiring this will limit the pool of qualified candidates especially in rural areas.

Commissioner-I am interpreting this as a form of consolidation of Superintendents. Entire paragraph is confusing-adding supts, assistants, or replace with a commissioner? Replacing a Supt with a commissioner isn't going to be a cost savings. In rural districts like mine, I am superintendent and principal.

Officials from the **Fort Zumwalt School District** assume the fiscal impact could be major to taxpayers as this creates a conflict of interest. Staff turn over which can have higher numbers of staff on the lower end of a salary schedule as more experienced staff retire. Since the Superintendent is in charge of salary negotiations, administration could feel pressure to increase

ASSUMPTION (continued)

teacher salaries just to get more for themselves. There are also some higher cost of living districts in metropolitan areas and forcing a salary cap along with a residency requirement could be counterproductive to finding a superintendent in some districts. Also, long standing superintendents would be penalized by this law as they could have more experience than the average of all teachers in the district. This law is effectively creating a base which reflects average teacher experience not just average salary.

Oversight assumes this bill would have no fiscal impact on state agencies.

Oversight notes, according to data on the DESE website, the Teacher Average Total Salary in Missouri has been:

- \$49,761 in 2017;
- \$50,485 in 2018; and
- \$51,220 in 2019.

Therefore, 3.5 times the average salary would be approximately \$179,270. Oversight realizes that the average teacher salary is not even across the state and can vary greatly by school district. However, without additional information, Oversight will utilize this amount.

Also according to data on the DESE website, there are 57 school districts that pay their superintendent \$180,000 or more in 2019. The net difference between the salary for these 57 superintendents and \$179,270 adds to \$1.94 million. Oversight is unsure if existing contracts with superintendents could be voided to adhere to the new limitation being placed on compensation by this bill. Therefore, with the several unknowns and unmeasurables regarding the implementation of this proposal, Oversight will reflect a savings to school districts of More than or Less than \$1.94 million annually.

Oversight assumes the proposal would not require school districts to either raise teacher pay in order to raise the ceiling of compensation allowed for the superintendent, nor would it require superintendents that are currently below the 3.5 times threshold to raise their pay to that threshold. Therefore, Oversight will not reflect an increase in teacher pay or superintendent pay resulting from this proposal.

Oversight assumes the provision requiring the superintendent to live within the district boundaries could impact recruiting for these positions; however, Oversight assumes this would not result in a direct fiscal impact to school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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SCHOOL DISTRICTS

<u>Savings</u> - Compensation to superintendents limited to 3.5 times that average teacher pay	More than or Less than <u>\$1,616,667</u>	More than or Less than <u>\$1,940,000</u>	More than or Less than <u>\$1,940,000</u>
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	More than or Less than <u>\$1,616,667</u>	More than or Less than <u>\$1,940,000</u>	More than or Less than <u>\$1,940,000</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires that for any contract or employment agreement entered into by a school district superintendent the total compensation provided should not exceed three and one-half times the average total compensation provided to all teachers who are employed full time by the school district. The bill also requires superintendents to live within the boundaries of the school district.

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
Fort Zumwalt School District
Shell knob School District
Spring Bluff School
Wellsville-Middletown School District



Julie Morff
Director
February 28, 2020



Ross Strobe
Assistant Director
February 28, 2020