

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0235H.02I
 Bill No.: HB 101
 Subject: Education, Elementary and Secondary; Education, Higher; Elementary and Secondary Education, Department of; Higher Education and Workforce Development, Department of; Teachers
 Type: #Updated
 Date: March 24, 2021
 #Updated to include new information from the Department of Elementary and Secondary Education FY 2022 Budget Book.

Bill Summary: This proposal modifies provisions governing workforce development in elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
#General Revenue	(\$2,130,981 up to \$3,130,981)	(Could exceed \$2,136,298)	(Could exceed (\$2,141,775))
#Total Estimated Net Effect on General Revenue	(\$2,130,981 up to \$3,130,981)	(Could exceed \$2,136,298)	(Could exceed (\$2,141,775))

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
#Local Government	(Unknown) to \$1,953,733	(Unknown) to \$1,953,733	(Unknown) to \$1,953,733

FISCAL ANALYSIS

ASSUMPTION

Section 161.214 School Innovation Waiver

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this provision will have no fiscal impact on their organization.

#Oversight notes DESE's FY 2022 Budget Book includes a \$1,000,000 Governor's Recommendation from General Revenue to "support school innovation teams in implementing their waivers approved by the State Board of Education".

#Oversight assumes there could be a cost to implement this program. School districts may have costs related to improving student readiness and job training, increasing teacher compensation, or improving teacher recruitment and development. Oversight will show a range of impact of \$0 (no school districts participate or no additional cost) to an unknown cost to implement the waiver. Oversight assumes the net impact on school districts would be \$0 if distributions cover all costs or negative net impact if implementation costs exceed state distributions.

#Oversight will show a range of impact to General Revenue of \$0 (no additional cost or not appropriated) to an unknown cost up to \$1,000,000 for FY 22 and an unknown cost in the remaining years to support school innovation teams.

Section 162.1250 Attendance Percentage

DESE states increasing the attendance percentage from 94% to 95% and 47% to 47.5% will have a fiscal impact increasing the amount owed to districts in the basic formula calculation. The department does not collect data in a manner to know the courses taken and then completed virtually, therefore, DESE estimates a cost of \$90,000 for all K-12 students.

Oversight does not have any information to the contrary. Therefore, Oversight will show the cost as estimated by DESE.

Section 163.018 Half-day Early Childhood Education

DESE states including the attendance hours of pupils that attend a half-day early childhood education program in the calculation of ADA (average daily attendance) will result in a cost of \$1,863,733.

DESE used only those school districts with declining enrollment, who did not claim PK ADA in 2020, and included only districts that would be able to claim 10 or more students at the 4 percent max in the calculation of this estimate.

Oversight does not have any information to the contrary. Therefore, Oversight will show the cost as estimated by DESE.

Section 167.903, 167.907, 167.908 Free Application for Federal Student Aid

Officials from **Department of Higher Education and Workforce Development (DHEWD)** state the sections of this bill affecting DHEWD begin with Section 167.903 with the creation of an individual career and academic plan, which could result in a plan to pursue educational alternatives after high school.

Section 167.907 impacts DHEWD as every student, in order to graduate high school, must file a Free Application for Federal Student Aid (FAFSA). This will affect the department's FAFSA outreach efforts and will require contractual support for these outreach efforts due to the statewide mandate.

The DHEWD estimates that the equivalent of 3.5 FTE (2080 hours per FTE x 3.5 = 7,280 hrs) will allow the department to contract for 7,280 hours at \$15 per hour for a total of \$109,200 annually.

Contracting out will provide 3,120 more hours of direct outreach activity than would be available by hiring two full-time staff and incurring benefit costs while only realizing 4,160 hours of outreach activity (2 FTE x 2,080 hours= 4,160).

The balance of the funding would be used for related program costs such as travel (\$15k miles x .37=\$5,550), outreach advertising (estimated at \$53,998 based upon state contract pricing), print publications (\$8,500 for outreach print materials). The total for this FAFSA activity will be \$177,248 in the first year with an estimated 3% increase in out years.

Section 167.908 would require the department establish a procedure for providing the means and capability for high school students enrolled in career and technical education programs described under section 170.029 to complete an application for aid through the United States Department of Labor, Employment and Training Administration pursuant to the federal Workforce Innovation and Opportunity Act. The department shall work with school districts that deliver career and technical education programs to educate students on the value of the aid that is available to them through the federal Workforce Innovation and Opportunity Act. The bill also set's certain performance measures the department must meet. The application process for these funds is part of the local work development board processes that already exist. No new state costs will be required and the federal funding is part of an annual allocation to each state from the US Department of Labor. No new increase in FTE are required at this time.

This will bring the total costs for this bill related to the FAFSA requirements to \$177,248 in general revenue for FY22 with a 3% increase each year thereafter. That will result in a total of \$182,565 for FY23 and \$188,042 for FY224.

Oversight does not have any information to the contrary. Therefore, Oversight will show the cost as estimated by DHEWD.

168.021 Teacher Certification

Officials from the **DESE** assume this provision will have no fiscal impact on their organization.

169.596 Critical Shortage

Officials from **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. The only section that pertains to public employee retirement is Section 169.596. The JCPER's review of Section 169.596 indicates that it may constitute a "substantial proposed change" in future plan benefits as defined in Section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665, RSMo. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Public Schools and Education Employee Retirement Systems** did not respond to **Oversight's** request for fiscal impact for this proposal. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

In response to a similar proposal, HB 812 (2021), officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** assume this legislation makes changes to the critical shortage statute, 169.596 for the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS).

This provision allows retirees to return to work under the Critical Shortage Exemption statute up to four years versus the current two-year restriction. As of 2018-2019, PSRS/PEERS had around 125 retired teachers who have returned to work under the critical shortage statute. Their average earning was approximately \$47,400 for PSRS and around \$17,800 for PEERS.

The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems.

Due to the limiting conditions noted above, PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PSRS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each

retiree rehired under a critical shortage declaration. Therefore, PWC estimate the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PSRS.

PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PEERS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage declaration. Therefore, PWC estimates the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PEERS.

Oversight assumes any fiscal impact resulting from this proposal would be insignificant and therefore will reflect a zero fiscal impact in this fiscal note for the proposed changes.

Bill as a whole

Officials from the **Fordland R-III School District** and **High Point R-III School District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, they

reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>#Cost</u> - DESE - § 161.214 to support school districts implementing School Innovation Waivers	\$0 or (Unknown, Up to \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – DESE - § 162.1250 virtual payment increase	(\$90,000)	(\$90,000)	(\$90,000)
<u>Cost</u> - DESE - § 163.018 early childhood payment increase	(\$1,863,733)	(\$1,863,733)	(\$1,863,733)
<u>Cost</u> – DHEWD - § 167.907 FASFA outreach contractors, travel, printing & advertising	(\$177,248)	(\$182,565)	(\$188,042)
#ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$2,130,981 up to \$3,130,981)	(Could exceed \$2,136,298)	(Could exceed \$2,141,775)

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>#Costs</u> - § 161.214 to implement School Innovation Waivers (improve student readiness and job training, increase teacher compensation, improve teacher recruitment and development)	\$0 or (Unknown, Could exceed \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>#Revenue Gain</u> - § 161.214 state distributions to support school districts implementing School Innovation Waivers	\$0 or Unknown, Up to \$1,000,000	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain</u> - § 162.1250 virtual payment increase	\$90,000	\$90,000	\$90,000
<u>Revenue Gain</u> - § 163.018 early childhood payment increase	<u>\$1,863,733</u>	<u>\$1,863,733</u>	<u>\$1,863,733</u>
#ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	(Unknown) to <u>\$1,953,733</u>	(Unknown) to <u>\$1,953,733</u>	(Unknown) to <u>\$1,953,733</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 provides a definition for a "school innovation team" and for a "school innovation waiver" and allows school innovation teams to submit a plan to the State Board of Education (SBE) for a state innovation waiver for a variety of purposes as outlined in the bill.

Plans submitted to the SBE must include the provision of law for which the waiver is being requested, as well as demonstrate the necessity of the waiver, provide measurable performance targets and goals, and demonstrate support for the plan, along with additional requirements as provided in the bill.

The bill provides the SBE specific criteria for the evaluation of submitted plans and permits the SBE to make modifications to the plan with the cooperation of the school innovation team. School innovation waivers are only effective for three years beginning the school year following the approval and may be renewed. Only one waiver may be in effect per school at a time, and

specific restrictions to statutory requirements relating to school start date, teacher certification, teacher tenure, or any requirement imposed by federal law, are applicable (Section 161.214, RSMo).

The bill increases the state school funding for attendance of a student enrolled in a virtual class from 94% to 95% (Section 162.1250).

The bill expands the definition of average daily attendance to include pupils that are between the ages of three to five and meet the criteria set forth in the bill (Section 163.018).

Currently, Individual Career and Academic Plans (ICAP) are optional. This bill requires students to develop an ICAP which must be reviewed annually, by school personnel and the student's parent or guardian. The ICAP must now include a declaration of a student's postsecondary plan (Section 167.903).

This bill requires students in public and charter schools to complete the Free Application for Federal Student Aid (FAFSA) before being eligible for a certificate of graduation. Exemptions to this requirement include enlistment in the Armed Forces, or parental consent (Section 167.907).

The bill requires the Department of Higher Education and Workforce Development (DHEWD) to establish a procedure for high school students enrolled in career and technical education programs to complete an application for aid through the Employment and Training Administration of the United States Department of Labor under the federal Workforce Innovation and Opportunity Act.

The bill requires the Department of Elementary and Secondary Education (DESE) to ensure that by the 2021-22 school year 50% of DESE area career centers have the means and capability to allow students to complete the application for aid. The percentage increases to 70% for the 22-23 school year, 90% for the 2023-24 school year, and by the 2024-25 school year and thereafter DESE will ensure that 100% of the area career centers will have the means and capability to allow students to complete the application (Section 167.908).

Currently, a retired certificated or uncertified teacher receiving a retirement benefit may be employed full time for two years without losing their benefit. This bill would extend the time period to four years if the school district demonstrates a shortage.

The bill allows a retired teacher to be employed as a superintendent if they meet qualifications set forth in the bill. The total number of retired members working for a school district shall not exceed, at any one time, the littlest of 10% of the total number of employees for that district or 10 employees (Section 169.141).

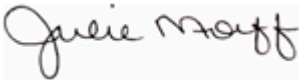
Section 169.596 has a delayed effective date of January 1, 2022 and Section 167.903 has an effective date of July 1, 2022. This bill is similar to HCS HB 2174 (2020).

Currently, federally funded staff within Workforce Development already provide the application services noted in 167.908

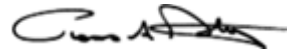
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Office of the Secretary of State
Joint Committee on Administrative Rules
Fordland R-III School District
High Point R-III School District
Public Schools and Education Employee Retirement Systems
Joint Committee on Public Employee Retirement



Julie Morff
Director
March 24, 2021



Ross Strobe
Assistant Director
March 24, 2021