

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1215-05
Bill No.: SCS for HB 489
Subject: Education, Elementary and Secondary; Teachers; Retirement-Schools
Type: Original
Date: April 23, 2007

Bill Summary: Modifies various provisions regarding education, including certain teacher and state employee retirement systems, quality rating system for child care facilities, teacher and principal mentoring standards, and programs for academically gifted students.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Greater than \$1,118,355)	(Greater than \$1,749,993)	(Greater than \$2,391,641)
Total Estimated Net Effect on General Revenue Fund	(Greater than \$1,118,355)	(Greater than \$1,749,993)	(Greater than \$2,391,641)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Local Government*	(\$953,112)	(\$1,143,734)	(\$1,143,734)

*** Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Non-Teacher Retirement System**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 to the SOS office for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

\$162,720

Officials from the **Department of Elementary and Secondary Education (DES)** assume any fiscal impact resulting from this proposal will depend on how many districts choose to establish special education programs and to what extent those districts implement such programs. DES cannot estimate such impact.

Officials from the **Fair Grove School District** state that since this is no longer a state funded position, the proposal could impact the district by the addition of staff and the additional testing costs.

Officials from the **Maryville School District** state this proposed legislation would require an additional expenditure of approximately \$125,000 per year for staffing and supplies.

According to officials from the **Francis Howell School District**, the proposed legislation would not impose any additional costs on their district, as they already have a program for gifted students in place.

Oversight assumes that although school districts are required to identify academically gifted students as established under rules prescribed by DES, there is no requirement that each school district must establish special programs or services. Since the programs are elective, no fiscal impact has been assigned to the school districts. **Oversight** further assumes that guidelines for gifted student identification can be established by DES with existing resources. If the program should become large enough to require additional personnel, funding can requested through the budget process.

ASSUMPTION (continued)

§168.350

Officials from the **Department of Elementary and Secondary Education (DES)** assume this proposal requires DES to develop standards for high-quality mentoring for beginning teachers and beginning principals and to involve representatives from the state teacher organizations, administration and principal organizations, Missouri advisory council for the certification of educators, Missouri staff development council, and from colleges and universities. DES estimates six meetings involving 40 - 50 participants, costing approximately \$2,500 per meeting for a total of approximately \$15,000.

§169.070; 169.670

The **Joint Committee on Public Employee Retirement** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

In response to a similar proposal from this session (SB 244), officials from the **Public School Retirement System** assume this proposal makes three changes as follows:

1. Extends the PSRS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$8.6 million dollars which requires a .02% increase in the contribution rate.
2. Extends the PSRS provision for retirement with a 2.55% formula factor for members with 31.0 or more years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$25.4 million dollars which requires a .04% increase in the contribution rate.
3. Extends the PEERS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$1.3 million dollars which requires a .02% increase in the contribution rate.

ASSUMPTION (continued)

~~\$169,466; 169,471~~

The **Joint Committee on Public Employee Retirement** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Public School Retirement System of St. Louis** state their actuary has indicated that the removal of the 10% maximum could subject the system to retroactive increases and significant liabilities for future increases and has indicated that an actuarial cost study would be required.

Oversight assumes the retirement benefits will not be increased if there would be an increase in the contribution rate required.

In response to a similar proposal from this session (SB 244), officials from the **Kansas City Public School Retirement System** assume no fiscal impact to their agency.

~~\$210.205~~

Officials from the **Office of State Treasurer** stated this proposal would have no fiscal impact on their agency.

In response to a previous version of this proposal, officials from the **University of Missouri** and the **Missouri House of Representatives** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Missouri Senate** assume the proposal would have no fiscal impact on their agency.

In response to a previous version of this proposal, officials from the **Department of Mental Health (DMH)** assumed the only responsibility of the DMH is to cooperate in developing the quality rating system. It is assumed DMH responsibilities will be accomplished with existing staff. No fiscal Impact to the Department of Mental Health.

Officials from the **Department of Elementary and Secondary Education** state the department could incur costs associated with this proposal, depending upon the extent to which the department becomes involved with collecting and distributing resource materials, developing and

ASSUMPTION (continued)

distributing educational materials, and posting the ratings of the quality rating system on the Internet. These costs are unknown as we cannot determine at what level the department will be involved; however, the costs could be significant.

Officials from the **Department of Health and Senior Services (DHSS)** state the following:

§210.205. 1. - 3. – Based on discussion with the Department of Social Services (DSS), all costs related to the development of the rating system will be included in the DSS fiscal notes response. The Division assumes that any collaboration between the DHSS and the DSS required by the bill would be accomplished with existing staff and resources. DHSS assumes no cost to develop the rating system.

§210.205.4. - Requires DSS to administer the newly created "Early Childhood Program Quality Improvement Grant Fund". The DHSS assumes no cost related to this fund.

§210.205.5 – Based on discussion with DSS, their costs related to developing the rating system will include the costs of collection, development and distribution in (1) and (2). Subsection (3) requires that the provider ratings be posted on the Internet. Based on information received from OA ITSD, \$25,000 is included as an estimate of the cost to post this information on the DHSS Internet site. It is assumed that this cost would be paid from GR during FY 2008.

§210.245.4 - Addresses situations where the department has authority to immediately suspend a license if there is a threat of imminent bodily harm to a child. The wording, as proposed, would permit a licensee who is posing a threat of imminent bodily harm to children in care, to be given a 90-day notification period before the department could suspend the license.

The current statute allows a licensee a period of thirty-days to request a hearing. The wording, as proposed, still allows a licensee a period of 30 days to request a hearing. As proposed, an additional 60-day period in which no action will be taken must expire before the discipline can be imposed.

Potential Future Costs – Implementation of this legislation might result in an increase in the number of licensed facilities with a corresponding increased inspection workload for the Bureau of Child Care. If such an increase were to occur, the program would ask for additional staff through the budget process at a later date.

Officials from the **Department of Social Services (DSS) - Children's Division** assume this proposal makes DSS the lead on this legislation working in collaboration with the Department of

ASSUMPTION (continued)

Health and Senior Services (DHSS), Department of Elementary and Secondary Education (DES), (and adds the Department of Mental Health (DMH) as a collaborator), to establish a Quality Rating System (QRS) for child care programs with a target of July 1, 2014, (as opposed to July 1, 2011, as stated in the original bill) to have all child care programs in the state rated. It charges the Coordinating Board for Early Childhood to establish a tiered subsidy system by July 1, 2014 (as opposed to the language in the original bill which charged that the tiered subsidy system be established by the time 50% of all child care programs have been rated). Since DSS administers the subsidy system, the charge to the Coordinating Board will also impact DSS.

The QRS model has already been developed and is currently being piloted across the state. To establish a statewide QRS basically means to take this pilot project to scale. We would propose contracting with the University of Missouri Columbia (UMC), in conjunction with the University of Missouri Kansas City (UMKC), to administer the ratings as UMC developed the Missouri QRS model. UMC and UMKC are currently administering the ratings of the pilot sites. They already have in place basic processes and systems to establish ratings. However, taking to scale would require additional staff and a more sophisticated process and system which are currently under development.

The QRS process would allow DSS to more strategically target current DSS child care provider training and technical assistance funding which includes:

- Educare which provides a variety of training and technical assistance options to child care providers,
- Resource and Referral funding which provides training coordination,
- Accreditation Facilitation funding which helps child care providers achieve accreditation, and
- Start Up/Expansion funding that assists in the start up of new child care programs and expansion of existing child care programs including very basic child care provider training and technical assistance.

It will also provide a clearer mechanism to demonstrate outcomes of this training and technical assistance. This SCS also charges DSS with the administration of the Quality Improvement Fund (as opposed to the original bill which charged DHSS with that responsibility). In order to prevent duplication and to identify and fill current gaps to assist child care providers in moving up the QRS ladder, DSS will work in coordination with DESE, DHSS, and DMH in the administration of this fund.

DSS will work with the Coordinating Board to revamp the current child care subsidy system to

ASSUMPTION (continued)

better support a QRS. There are many factors that can impact the cost of a revised subsidy system including revised parental sliding fees/co-payments, variances between QRS levels, etc.

Child Care providers will receive a rating from 1 to 5 stars (similar to restaurant and hotel rating systems) that will assist parents in identifying various levels of quality and thus be more informed consumers. Additional cost may be incurred by child care providers if they wish to move up the QRS ladder. Cost may include staff education and training, technical assistance, and physical plant upgrades.

The cost for the rating system is based on estimates from the UMC. The proposed process increases the number of programs rated each year until FY '14 when 100% of the programs will be rated. The improvement fund calculation has been broken out as it is subject to appropriation. The projected cost per year is:

Year	Percentage Rated	QRS	Improvement Fund	Total Cost
FY 08	10%	\$ 873,066	\$ 0	\$ 873,066
FY 09	25%	\$1,633,910	\$3,917,500	\$ 5,551,410
FY 10	40%	\$2,272,075	\$6,263,500	\$ 8,535,575
FY 11	55%	\$3,184,444	\$9,001,135	\$12,185,579
FY 12	70%	\$4,134,889	\$9,001,135	\$13,136,024
FY 13	85%	\$5,129,066	\$9,001,135	\$14,130,201
FY 14	100%	\$6,168,936	\$9,001,135	\$15,170,071

The cost for a tiered subsidy system is unknown at this time, but is anticipated to be several million dollars. The current subsidy system will need to be revamped. Factors that may influence cost are adjustments to parental sliding fee/co-payment, actual cost variances between the various QRS levels, income eligibility level increases, etc.

Children's Division request one FTE for QRS UMC grant oversight, i.e. contract development, monitoring, reviewing reporting and outcome requirements and statistical data, liaison between DSS and grantee including coordination with other DSS programs, providing technical assistance to grantee, and payment of invoices. This FTE will also be the liaison with the Coordinating Board for Early Childhood in developing and implementing a tiered reimbursement system.

While this proposal establishes, but does not fund the Quality Improvement Fund, if funding is

ASSUMPTION (continued)

appropriated, there will be a need for an additional FTE, to administer this fund program, i.e. develop a request for proposal process, establish and monitor contracts, review reporting and outcome requirements and statistical data, serve as the liaison between DSS and the grantees including coordination with other DSS programs, providing technical assistance to grantees, and payment of invoices.

Oversight has, for fiscal note purposes only, changed the starting salary for the DSS positions to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Social Services (DSS) - Information Technology Services Division (ITSD)** assume system changes would be required in the SACWIS and FAMIS systems to recalculate rates based on facility quality ratings. The rates are currently based on facility type, ages of the children that day care is provided for. The rate tables would have to be adjusted to look at those factors as well as the facility rating.

DSS Children's Division staff are assuming that the rating system, the accountability system and publication of the ratings on the internet will be created and maintained by the University of Missouri, Columbia. Department of Social Services maintains rate tables in the legacy Children's Division system for protective services day care and in FAMIS for all other day care. Programming and analysis staff on the two projects estimate cost to be unknown but in excess of \$100,000.

Assumptions:

- Create database to store child care facilities and their ratings. Assume that MU will transmit a file on a regular basis with this data to load the database.
160 hours of labor performed in-house by DBA team and one applications programmer.
- Development costs through system development life cycle to incorporate facility ratings in child care rate calculation along with other parameters currently used to calculate rates (e.g. age of children, facility type, etc.) are unknown. Typical number of hours to develop a program is around 160 on the FAMIS project. Programming staff indicate that more than 700 hours of labor in SACWIS and in FAMIS would be required based on the 160 hour per module benchmark.

Contract staff cost \$75.00 per hour for applications development and this project would require

ASSUMPTION (continued)

an unknown amount of labor in excess of 1,400 hours which exceeds \$100,000.

Officials from the **Department of Social Services (DSS) - Division of Budget and Finance (DBF)** state DBF will be responsible for monitoring the fund balance and would accomplish this with existing resources. Program and efficiencies implementation would be the responsibility of the DSS - Children's Division, Department of Health and Senior Services, Department of Elementary and Secondary Education, and Department of Mental Health. This proposal would have little direct impact on the Division of Budget and Finance. Therefore, a zero impact fiscal note is being submitted.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost</u> - DES - Meeting costs for development of standards for mentoring program (\$168,350)	(\$15,000)	\$0	\$0
<u>Cost</u> - DES - Program Costs (\$210.205)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DHSS - Post Information on Internet Site (\$210.205)	(\$25,000)	\$0	\$0
<u>Costs</u> - DSS (\$210.205)			
Personal Services - 2 FTE	(\$61,425)	(\$75,952)	(\$78,231)
Fringe Benefits - 2 FTE	(\$27,801)	(\$34,376)	(\$35,407)
Equipment and Expense - 2 FTE	(\$16,063)	(\$5,755)	(\$5,928)
Cost - DSS - Children's Division Program Costs (\$210.205)	(Greater than \$873,066)	(Greater than \$1,633,910)	(Greater than \$2,272,075)
Costs - DSS - ITSD Program Costs (\$210.205)	(Greater than <u>\$100,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Greater than \$1,118,355)</u>	<u>(Greater than \$1,749,993)</u>	<u>(Greater than \$2,391,641)</u>
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
POLITICAL SUBDIVISIONS			
<u>Cost - School Districts - Teacher and Employee Contributions* (\$169.070)</u>	<u>(\$953,112)</u>	<u>(\$1,143,734)</u>	<u>(\$1,143,734)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>(\$953,112)</u>	<u>(\$1,143,734)</u>	<u>(\$1,143,734)</u>

*** Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Non-Teacher Retirement System**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§162.720

This section requires each school district to identify students that are academically gifted based on criteria developed by the Department of Elementary and Secondary Education. Each school district may establish special programs or services for gifted students. Approval of such programs shall be made by DESE based upon applications submitted by districts in a time and manner determined by DESE.

§168.350

This proposal requires the Department of Elementary and Secondary Education (DES) to create mentoring standards for beginning teachers and principals no later than June 30, 2008. The proposal enumerates the principles for mentoring and the benchmarks for quality programs. DES is required to involve representatives from education sectors to participate in the development of the standards.

§169.070, 169.466, 169.471, 169.670

Currently, certain alternative retirement allowance provisions (commonly referred to as "25 and out" and the "31st year factor") of the Teacher and School Employee Retirement Systems

DESCRIPTION (continued)

terminate on July 1, 2008. This proposal extends the termination dates to July 1, 2013.

This proposal also replaces the term "pension" with the phrase "retirement benefit" throughout § 169.466 and 169.471. The proposal also provides that the board of trustees for the public school retirement system in districts of 700,000 or over is authorized to increase retirement benefits for the system and to adopt additional retirement benefits for persons who have retired, including cost-of-living adjustments, as long as the board of trustees finds that the additional benefit will not require an increase in the contribution rate required by members or the board of education and is actuarially sound. If the board authorizes such an increase in benefits, it shall certify in writing to the board of education the findings upon which the board determines no increase in contributions.

§210.205

This section requires the Department of Social Services in collaboration with the Departments of Health and Senior Services, Elementary and Secondary Education, and Mental Health to develop a quality rating system for early childhood and before and after school programs licensed by the Department of Health and Senior Services that operate in this state by September 1, 2007. For purposes of this proposal, such programs and facilities are programs that are sponsored by public school districts. The licensing of such facilities shall be the baseline, while the highest rating includes accreditation. The departments shall utilize the model from the existing Missouri quality rating system pilots developed by the University of Missouri Center for Family Policy and Research to establish the system. The system will allow consumers and parents to evaluate and select high quality programs and creates a system of accountability for policymakers and those who fund such programs.

By July 1, 2014, one hundred percent of all licensed facilities shall be rated using the quality rating system established under this section. The Coordinating Board established under section 210.102, RSMo, shall develop a plan for a tiered system of reimbursement for child care subsidies. This plan shall be submitted to the General Assembly with recommendations for implementation to begin July 1, 2009.

The Quality Rating System Program Improvement Grant Fund is established and shall consist of all gifts, donations, transfers, moneys appropriated by the general assembly, and bequests to the fund. Money in the fund shall be used to provide grants directly to licensed providers seeking assistance for quality improvements to undergo evaluation under the quality rating system established under this proposal or to community-based organizations assisting providers with such improvements.

DESCRIPTION (continued)

The Department of Social Services in collaboration with the Departments of Health and Senior Services, and Elementary and Secondary Education shall be responsible for promoting and distributing materials to educate the public and providers about the quality rating system established under this act. By January 1, 2009, the ratings of the quality rating system shall be posted on the Internet in a format easily understood and accessible by the public.

§169.070; 169.670; 169.466; 169.471

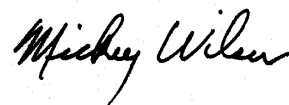
The proposed legislation extends the termination date for certain alternative retirement provisions in the teacher and school employee retirement systems.

The provisions relating to the Quality Rating System shall sunset in six years.

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 Social Services
Office of the Senate
Office of the State Treasurer
Office of the Secretary of State
 Administrative Rules Division
Joint Committee on Public Employee Retirement
Public School Employees Retirement System
Department of Health and Senior Services
Missouri House of Representatives
Kansas City Public School Retirement System
St Louis Public School Retirement System
School Districts
 Fair Grove
 Maryville
 Francis Howell



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