

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3926-01
Bill No.: HB 2040
Subject: Elementary and Secondary Education; Teachers; Retirement
Type: Original
Date: March 10, 2008

Bill Summary: Modifies provisions relating to teacher compensation and teacher and school employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$87,811,654)	(\$87,811,654)	(\$87,811,654)
Total Estimated Net Effect on General Revenue Fund	(\$87,811,654)	(\$87,811,654)	(\$87,811,654)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Minimum Salary Fund for Teachers*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Offsetting Transfers In from General Revenue and Transfers Out to School Districts are \$87,811,654 annually.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2009	FY 2010	FY 2011
Local Government*	(\$923,660)	(\$923,660)	(\$923,660)

***Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$15,700,000 to Public School Retirement System and \$1,200,000 in the Non-Teacher Retirement System.**

FISCAL ANALYSIS

ASSUMPTION

§163.172

Officials from the Office of State Treasurer state this proposal will have no fiscal impact on their agency.

Officials from the **Department of Elementary and Secondary Education** assumed the following fiscal impact resulting from the proposed increase to teacher salaries:

<u>Years</u>		<u>Bachelor's</u>	<u>Master's</u>
1	3	\$15,541,034.00	\$1,643,588.00
4	6	8,383,956.15	2,346,267.59
7	9	6,135,279.51	3,184,203.90
10	12	4,496,886.98	3,359,018.27
13	15	3,711,454.67	3,455,943.37
16	18	2,616,495.78	2,976,329.88
19	21	3,227,971.53	2,381,198.28
22	24	3,538,202.23	2,412,116.72
25	27	3,517,255.05	2,782,447.71
28 +		<u>6,776,433.71</u>	<u>5,325,571.05</u>
		\$57,944,969.61	\$29,866,684.77
TOTAL:		\$87,811,654.38	

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

ASSUMPTION (continued)

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 for this proposal 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.

§169.070 & 169.670

Officials from the **Public School and Education Employee Retirement Systems of Missouri (PSRS and PEERS)**, stated the following:

For PSRS, this legislation would provide a temporary increase in monthly benefits of \$5 per month per year of credit for any member who has retired and is age seventy-five or older and who has reached the 80% COLA cap prior to January 1, 2009. The benefit would be payable through January 1, 2014. The proposed increase in retirement benefits for PSRS will increase the actuarial accrued liability of the system by \$15.7 million. This increase in liabilities will require a .02% total increase in the contribution rate for active members and school districts.

For PEERS, this legislation would provide a temporary increase in monthly benefits of \$3 per month per year of credit for any member who has retired and is age seventy-five or older and who has reached the 80% COLA cap prior to January 1, 2009. The benefit would be payable through January 1, 2014. The proposed increase in retirement benefits for PEERS will increase the actuarial accrued liability of the system by \$1.2 million. This increase in liabilities will require a .01% total increase in the contribution rate for active members and school districts.

This request was sent to PSRS/PEERS actuaries, Gabrial, Roeder, Smith and Company who estimated that while there would be some financial impact to the plan, the cost impact would be immaterial.

In response to an identical proposal from this session (SB 1024 - FN 4749-01), officials from the **Public School Retirement System of the City of St Louis**, state there is no fiscal impact to their agency because the sections in the proposal govern other Missouri Retirement Systems and not PSRS of St. Louis.

ASSUMPTION (continued)

Officials from the **Joint Committee on Public Employee Retirement** stated that their review of the proposed legislation would indicate that such legislation would not created a "substantial proposed changes" in future plan benefits as defined in §105.660 (5); therefore, an actuarial cost statement is not required.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
-----------------------------------------	---------------------	---------	---------

GENERAL REVENUE

<u>Cost</u> - Appropriation for teacher salaries (§163.172)	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>
----------------------------------------------------------------	-----------------------	-----------------------	-----------------------

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>
---------------------------------------------------------	------------------------------	------------------------------	------------------------------

**MINIMUM SALARY FUND FOR
TEACHERS**

<u>Transfer In</u> - Appropriation for teacher salaries (§163.172)	\$87,811,654	\$87,811,654	\$87,811,654
-----------------------------------------------------------------------	--------------	--------------	--------------

<u>Cost</u> - Appropriation for teacher salaries (§163.172)	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>
----------------------------------------------------------------	-----------------------	-----------------------	-----------------------

ESTIMATED NET EFFECT ON MINIMUM SALARY FUND FOR TEACHERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
-------------------------------------------------------------------------	-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - School Districts - Teacher salary supplements (§163.172)	\$87,811,654	\$87,811,654	\$87,811,654
<u>Cost</u> - School Districts Teacher and Employee Contributions*	(\$923,600)	(\$923,600)	(\$923,600)
<u>Cost</u> - School Districts - Teacher salaries (§163.172)	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>	<u>(\$87,811,654)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$923,600)</u>	<u>(\$923,600)</u>	<u>(\$923,600)</u>

***Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$15,700,000 to Public School Retirement System and \$1,200,000 in 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

§163.172

This proposed legislation changes the base level and the way in which the minimum salary for teachers is calculated beginning in 2008-2009.

Using a base of \$31,000 for a teacher with a bachelor's degree who has one to three years of experience and a base of \$33,000 for a teacher with a master's degree, the minimum salary will be multiplied by the dollar value modifier of the district in which the teacher is employed. Experience is reflected on the schedule in three-year brackets, and each experience level after the initial one-to-three-year bracket will multiply the base salary, as revised by the dollar value modifier, by a specified percentage. No matter where a district places a teacher on its

ASSUMPTION (continued)

local salary schedule, the district must recognize all years of experience for the minimum salary. The state will pay the difference between the participating district's salary schedule and the minimum salary from the Minimum Salary Fund for Teachers which is created for this purpose. The minimum salary is included in retirement calculations to determine a teacher's final average salary.

Participating districts must not vary more than the percentage specified in the bill from their local effort on base salary retirement, and health care costs. The higher the district's year-end operating fund balance, the less flexibility is permitted. A dollar-for-dollar deduction in the minimum salary supplement for the next fiscal year will be made for districts that exceed the permitted percentage of variance. The bill allows an increase in the minimum salary level when the state cost of funding falls to 85% or less of the full funding cost for the first year.

§169.070 & 169.670

Retired teachers 75 years of age and older in the Public School Retirement System of Missouri who are cost-of-living capped will receive an additional \$5 per month per year of service from

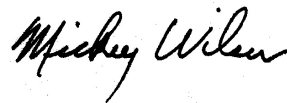
January 1, 2009, to January 1, 2014. Non-teacher retirees meeting the same qualifications will receive \$3 per month per year of service during the same period.

This proposal contains an emergency clause.

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
Public School and Education Employee Retirement Systems of Missouri
Joint Committee on Public Employee Retirement
Public School Retirement System of the City of St Louis
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 10, 2008