

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3926-05
Bill No.: HCS for HBs 2040 & 2430
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
Department; Teachers; Education, Higher; Tax Credits
Type: Original
Date: April 7, 2008

Bill Summary: Enacts provisions relating to educational personnel compensation; creates a special needs scholarship tax credit program to be known as "Bryce's Law"; requires publishers of instructional materials to provide electronic copies of such materials for specialized uses; modifies various provisions relating to liability of school employees and volunteers; establishes the "Teacher Bill of Rights"(restricts the use of dues or fees to teacher associations for political campaign purposes without written consent of the teacher); requires the Joint Committee on Education to approve certain disbursements; establishes the Missouri Preschool Plus Grant Program; allows the State Auditor to audit any school district in the same manner as any agency of the State

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$35,730,300 Up to Over \$46,754,528)	(\$33,972,642 Up to Over \$47,011,365)	(33,970,216 Up to Over \$47,010,100)
Total Estimated Net Effect on General Revenue Fund	(\$35,730,300 Up to Over \$46,754,528)	(\$33,972,642 Up to Over \$47,011,365)	(33,970,216 Up to Over \$47,010,100)

* The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 22 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Missouri Preschool Plus Grant Program Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Offsetting Transfers In and Out total \$5,000,000 annually.

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
General Revenue	3 to 4 FTE	3 to 4 FTE	3 to 4 FTE
Total Estimated Net Effect on FTE	3 to 4 FTE	3 to 4 FTE	3 to 4 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 2009	FY 2010	FY 2011
Local Government*	(\$923,600)	Unknown to (Over \$923,600)	Unknown to (Over \$923,600)

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes. (§135.1202)**

***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. (§169.070 & 169.670)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** that this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate that this legislation will not significantly alter its caseload; however, if other similar bills also pass, there will be fiscal impact. If there are more cases, or more complex cases, there could be a fiscal impact.

Officials from the **Department of Public Safety - Office of the Director** and the **Missouri State Highway Patrol** state this proposal will have no fiscal impact on their agency.

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 for this proposal is less than \$2,500. The SOS recognizes

ASSUMPTION (continued)

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.

§135.1200 through §135.1210 - Bryce's Law

In response to similar legislation (HB 1886), officials from the **Department of Economic Development (DED)** stated their agency assumes responsibility for administration of the credit, and an unknown number of people plus associated expenses would be required to administer the program. DED assumes the credits will go into effect in August 2008 and will be claimed on CY 2008 tax returns filed in 2009. The cost of the credits will be unknown. DED assumes the need for one person for each \$20 million in credits issued. DED assumes some computer programming will be needed to adjust existing systems to track the credits claimed and keep a list of scholarship organizations. For similar legislation, ITSD indicated 240 hours of programming time for a Computer Information Technologist III to do initial programming plus recurring costs to maintain the program. Costs are shown as unknown as there is no cap on the number of credits. The cost for the Economic Development Incentive Specialist IIIs, expense, and equipment will be needed in FY 2008. DED assumes some compliance/auditing functions will need to be added but the extent is unknown.

Officials from the **Department of Revenue (DOR)** state their Personal Tax section would require 1 Tax Processing Technician I for every 6,000 credits claimed. DOR assumes the cost of the one additional FTE would be roughly \$40,000 annually.

The **Office of Administration Information Technology (ITSD DOR)** estimates that this legislation could be implemented utilizing 1 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT IIIs for 1 month for modifications to the corporate income tax systems at a rate of \$20,390. ITSD DOR estimates the IT portion of this request can be accomplished within existing resources; however, if priorities shift, additional FTE/overtime would be needed to implement. Funding would be requested through the budget process.

Oversight assumes that tax returns utilizing the new credit would not be filed with the Department of Revenue until January, 2009; therefore, Oversight will estimate the cost of the additional FTE for DOR for only six months in FY 2009 and for a full year starting in FY 2010. Oversight is unsure if enough credits will be filed with tax returns to warrant the additional FTE for DOR; therefore, Oversight will range the cost of the DOR FTE from \$0 to the estimated cost.

ASSUMPTION (continued)

Officials from the **Department of Social Services** and officials from the **Department of Health and Senior Services** stated there was no fiscal impact to their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates a tax credit for donations to qualifying special-needs-scholarship granting organizations. The tax credit is for 80% of the donation, up to 50% of state tax liability or \$800,000. These credits are transferable and sellable, and has a four-year carryforward. There is no cap on the program. This proposal will reduce general and total state revenues by an unknown amount.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials from the **Department of Elementary and Secondary Education (DESE)** state by federal law, the obligation to educate students with developmental disabilities or other special needs would remain with the public schools, although private schools would receive state funds to educate the students.

Tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

A public school accepting a student with a scholarship limits its revenue for that student to the value of the scholarship rather than the tuition the district charges non-resident students. There does not appear to be an incentive for a school to accept such a student.

The home district's loss of state aid for the student utilizing a scholarship may result in a reduced
ASSUMPTION (continued)

state cost of the foundation formula. The amount of such reduction cannot be estimated.

Oversight assumes this loss of state aid to home districts could result in a savings to the State's General Revenue Fund. Oversight assumes donations would be accepted in the '08-'09 school year and scholarships would be given to students for the '09-'10 school year. Since school funding is partially based on students count from the previous year, Oversight assumes the state would not realize a savings from until FY 2011. Oversight assumes the cost of the tax credits in FY 2011 will exceed the potential savings from reduced state aid payments; therefore, Oversight will reflect a net unknown cost from this proposal in FY 2011.

In response to similar legislation (HB 1886), officials from the **Special School District of St Louis (SSD)** assumed that 3-5% of the students would take advantage of the scholarships, which is based on the experience with Florida vouchers. Estimated annual loss of revenue would range from \$6.4 million to \$10.6 million. SSD operates in a dual system with the other 23 St. Louis County districts. These districts would lose some of the funds referenced above, and SSD would lose some of the funds depending on the level of special education services.

Oversight will range the fiscal impact of the new program from \$0 (no additional tax credits will be issued) to an unknown amount since the program has no annual limit. **Oversight** assumes there would be some positive economic benefit to the state as a result of the changes in this proposal; however, Oversight considers these benefits to be indirect and therefore have not reflected them in the fiscal note.

§162.1168 - Missouri Preschool Plus Grant Program

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

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that, per the terms of the proposal, the General Assembly shall appropriate five million dollars in any fiscal year to fund the provisions of this section.

Based on historical costs associated with the Missouri Preschool Program, DESE estimates \$150,000 for the first year of a brand new preschool classroom of 20 students with one teacher and \$120,000 for subsequent years. Limiting the appropriation to \$5,000,000 per year could limit the amount of children served per year; therefore, the program may not capably serve up to one thousand two hundred and fifty students as called for in the proposal.

ASSUMPTION (continued)

Officials from the **Department of Social Services** state this section of the proposed legislation will have no direct fiscal impact on their agency.

§160.261, 160.660, 161.650, 162.215, 167.020, 167.022, 167.023, 167.115, 167.164, 167.624, 167.630, 168.133, 210.102 - Liability of school employees and volunteers

Officials from the **Office of State Courts Administrator** state this portion of the proposal has no fiscal impact on the Courts.

Officials from the **Department of Social Services - Division of Youth Services and Children's Division** state this portion of the proposal will have no fiscal impact on their agency.

§168.133 - Background check transfers

Officials from the **Department of Elementary and Secondary Education (DESE)** presented two assumptions:

- 1) The new language simply speaks to the one-year validity of the background check and fingerprint collection; therefore, no additional fiscal impact will be incurred.
- 2) The language will require every individual having contact with any pupil to undergo the criminal background check and fingerprint collection on an annual basis. Should the second assumption be correct, the result will be annual costs to local school districts totaling \$4,071,600 (78,000 pupil contact individuals x \$52.20 fee) and a significant increase in workload for DESE.

DESE also assumes FBI rules prohibit the practice of transferring criminal background check and fingerprint collection from one school district to another district.

Oversight assumes, based on information from the **Department of Public Safety - Missouri State Highway Patrol**, that background information may be transferred from one government entity to another; therefore, such information can be transferred from one school district to another during the period outlined in the proposed legislation. Oversight assumes no significant fiscal impact to DESE or local school districts.

Officials from the **Marshfield R-I Public School District** state this section could save the cost of a couple of background checks totaling at most \$110.

ASSUMPTION (continued)

Officials from the **Poplar Bluff Public School District** see very little fiscal impact, if any,

resulting from this section of the proposal.

Officials from the **Boone County Sheriff's Office** and the **Springfield Police Department** state there will be no fiscal impact to their respective agencies as a result of this section of the proposal.

§168.295 - Teacher Bill of Rights

Officials from the **Department of Elementary and Secondary Education (DESE)** state there is no fiscal impact to their agency. DESE is unaware to what extent dues to teacher associations may currently be paid through payroll deduction; however, DESE assumes the limits imposed by this proposal will not result in significant costs to local school districts.

Officials from the **Department of Social Services** state this section has no direct fiscal impact on their agency.

Officials from the **Independence School District** state this proposal would not have a fiscal impact on their district.

Officials from the **Francis Howell School District** estimate the additional time managing the payroll deductions could cost their district an additional \$2,500 per year.

Oversight assumes administrative costs associated with this proposal could be absorbed within school district resources.

§168.710, 168.712, 168.714, 168.716, 168.720

According to officials from the **Public School and Education Employee Retirement Systems of Missouri (PSRS)**, certificated teachers would be eligible for an excellence in performance award and certain stipends (recruitment, longevity, accreditation). This award program and additional stipends would not be used in the calculation of a member's final average salary for retirement and would not be subject to contributions to PSRS, either from members or districts.

§168.710

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this ASSUMPTION (continued)

section states that, starting in FY 2010 and ending in FY 2015, the general assembly shall make an annual appropriation of \$20 million dollars for a pilot project to recognize excellence in

performance by instruction personal and school-based administrators in participating districts.

DESE assumes this section requires DESE to provide technical assistance on a district's excellence award program plans, review the award plans, determine compliance, and certify qualifying plans to the Governor, President of the Senate and Speaker of the House of Representatives. DESE will need the following personnel: Assistant Director; Supervisor; and, Administrative Assistant II.

§168.712 - Retention (20 years) Stipend

This section states that each certificated teacher with a base salary of \$50,000 or less with at least twenty full years of experience as a teacher in a Missouri school shall receive a one-time stipend of \$2,500.

According to DESE, 8,744 teachers would qualify for this stipend totaling **\$21,935,000**.

§168.714 - Recruitment Stipend

This section provides for a recruitment award for newly hired teachers of \$5,000 for math, science, or in any area need to teach a child with a diagnosis of autism and \$2,500 for other subjects for teachers who become employed by districts with provisional or unaccredited status or districts that have an assessed value of less than \$70,000 per student.

Officials from DESE were unable to estimate costs for this section, but assumed it would result in significant unknown costs.

Oversight assumes, based on information provided by DESE for districts meeting small school criteria, using 2007-08 data, that there were 568 newly hired teachers in districts meeting the small school criteria. Of those, 88 were math or science teachers.

480 x \$2,500 = \$1,200,000

88 x \$5,000 = \$ 440,000

Total = \$1,640,000

Oversight also assumes, based on information from the DESE web site, "Profiles of Missouri ASSUMPTION (continued)

Schools - School Data - Preliminary Staff and Salary Analysis" for the 2006-2007 school year, that there were 347 first year instructors in the unaccredited, provisionally accredited, and

interim school districts that were not already included in the small school criteria. **Oversight** assumes, based on the number of math and science teachers in the small school districts, that approximately 69 teachers would be in the math and science areas.

$$278 \times \$2,500 = \$ 695,000$$

$$69 \times \$5,000 = \$ 345,000$$

$$\text{Total} = \$1,040,000$$

Since it is unknown how many newly hired teachers are included in the criteria for teachers certificated in any area needed to teach a child with a diagnosis of autism, Oversight assumes the cost in that area would be in excess of \$100,000 per year. For fiscal note purposes only, Oversight will assume the following costs for this section:

New teachers	758 x \$2,500 = \$1,895,000
New teachers certificated in math and science	157 x \$5,000 = 785,000
New teachers certificated in an area needed to teach children with autism _____	Unknown - Expected to exceed \$100,000
TOTAL	More than \$2,680,000

§168.716 - Retention Stipend (Five and Ten Year)

This section provides for a retention award for certificated teachers earning less than \$50,000 in districts that have an assessed value of less than \$70,000 per student and are accredited without provision. Beginning August 28, 2009, award amounts will be \$2,500 for five years' service and \$2,500 for 10 years. DESE provided the following assumptions:

5 Year

$$\$2,500 \text{ stipend} \times 1,285 \text{ teachers} = \mathbf{\$3,212,500}$$

10 Year

$$\$2,500 \text{ stipend} \times 1,121 \text{ teachers} = \mathbf{\$2,802,500}$$

ASSUMPTION (continued)

§168.720 - Accreditation Improvement

This section provides for accreditation improvement award of \$2,500 for teachers who are employed by a unaccredited, provisionally accredited, or interim district when it achieves accreditation without provision.

DESE officials state their agency cannot estimate costs for this section because it is unknown when school districts will achieve accreditation. There will be a significant unknown cost.

Oversight assumes a performance review is done every year, so while unlikely, it would be possible for all unaccredited/provisional accredited/interim districts to achieve accreditation in any one fiscal year. In response to a previous version of this proposal that stipulated a base salary of \$60,000 it was determined that there were approximately 5,200 teachers that could qualify under that criteria.

Approximately $5,200 \times \$2,500 = \$13,000,000$

For fiscal note purposes only, Oversight will assume the cost to be \$0 or (Up to \$13,000,000).

\$169.070 & 169.670

In response to the introduced version of this proposal, 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.

ASSUMPTION (continued)

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.

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.

§170.132 - Instructional Materials

Officials from the **Department of Elementary and Secondary Education** state this section will have no fiscal impact on their agency or on local school districts.

Officials from the **Office of State Courts Administrator** state this section has no fiscal impact on the Courts.

Officials from the **Department of Social Services - Division of Youth Services and Family Support Division, Rehabilitation Services for the Blind, the Department of Health and Senior Services, the Department of Mental Health, and the Department of Higher Education** assume this section will have no fiscal impact on their respective agencies.

Officials from the **University of Missouri** state they would incur little additional costs from this section of proposed legislation, as written.

Officials from **Kansas City Metropolitan Community College** state this section will have no direct fiscal impact on their college.

Officials from **Lincoln University** assume there would be minimal fiscal impact on their university.

Section 1

Officials from the **Department of Elementary and Secondary Education** assume this section would have no fiscal impact on their agency.

ASSUMPTION (continued)

In response to identical legislation (SB 1066), officials from the **Attorney General's Office (AGO)** assume that any costs associated with this proposal may be absorbed with existing resources. From time to time, the Auditor's office will consult with the AGO about certain legal questions related to an audit such as the Missouri Sunshine Law.

Officials from the **State Auditor's Office (SAO)** assume this proposal provides the SAO with the ability to conduct audits of school districts without a petition or request from the governor. The SAO assumes this proposal could have a significant impact on the workload of the SAO. With 524 public school districts in Missouri, it is highly likely that numerous audits will be required of the SAO as a result of this provision. For purposes of this response, it is estimated that 10-20 additional audits will be conducted each year as a result of this language. The number of actual audits required as a result of this provision is unknown and could easily exceed the SAO estimate. At a minimum, an audit team consisting of 4 Staff Auditors, 1 In-Charge Auditor and 1 Audit Manager is necessary. The initial cost would be: Salaries - \$217,570; Fringe Benefits - \$96,209; and, Equipment and Expense - \$36,342 for a total cost of \$350,121 in FY 2009.

Oversight assumes the proposal does not require the SAO to audit all school districts. Until the SAO establishes procedures regarding the selection of school districts to audit and what type of audit will be performed, **Oversight** assumes costs to SAO could be absorbed with existing resources. If a significant fiscal impact were to result, funds for personal services would be sought through the appropriations process.

FISCAL IMPACT - State Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

GENERAL REVENUE

LMD:LR:OD (12/02)

Savings - Department of Elementary and Secondary Education - potential savings to state foundation formula for students who participate in the program and are now enrolled at private schools. (§135.1200 - §135.1210)

\$0 \$0 (Unknown)

Cost - Department of Economic Development - Program administration costs (§135.1200 - §135.1210)

(Unknown) (Unknown) (Unknown)

Cost - Department of Revenue - Personal Tax Division

Personal Service (1 FTE)	\$0 to (\$12,688)	\$0 to (\$26,136)	\$0 to (\$26,920)
Fringe Benefits	\$0 to (\$5,611)	\$0 to (\$11,557)	\$0 to (\$11,904)
Expense and Equipment	<u>\$0 to (\$6,229)</u>	<u>\$0 to (\$1,030)</u>	<u>\$0 to (\$1,060)</u>
Total Personal Costs (§135.1202)	\$0 to (\$24,528)	\$0 to (\$38,723)	\$0 to (\$39,884)

Estimated Net FTE Change for Department of Revenue

0 or 1 FTE 0 or 1 FTE 0 or 1 FTE

Cost - Department of Elementary and Secondary Education - Missouri Preschool Plus Grant Program (§162.1168)

(\$5,000,000) (\$5,000,000) (\$5,000,000)

Cost -DESE - Teacher recognition pilot program (§168.710.1)

\$0 (\$20,000,000) (\$20,000,000)

Cost - DESE (§168.710)

Personal Services (3 FTE)	\$0	(\$115,468)	(\$118,932)
Fringe Benefits	\$0	(\$51,060)	(\$52,592)
Equipment and Expense	<u>\$0</u>	<u>(\$11,114)</u>	<u>(\$3,692)</u>
Total personal services	\$0	(\$177,642)	(\$175,216)

FISCAL IMPACT - State Government

FY 2009 FY 2010 FY 2011
 (10 Mo.)

Estimated Net FTE Change for Department
 of Elementary and Secondary Education

	0	3 FTE	3 FTE
<u>Cost - DESE - Retention Stipend</u> (\$168.712)	(\$21,935,000)	\$0	\$0
<u>Cost - DESE - Recruitment Stipend</u> (\$168.714)			
Newly Hired Teachers	(\$1,895,000)	(\$1,895,000)	(\$1,895,000)
Newly Hired Teachers certificated in math and science	(\$785,000)	(\$785,000)	(\$785,000)
Newly Hired Teachers certificated in an area needed to teach children with autism	(Unknown - Expected to exceed \$100,000)	(Unknown - Expected to exceed \$100,000)	(Unknown - Expected to exceed \$100,000)
TOTAL <u>Cost - Recruitment Stipend</u>	(Unknown - Expected to exceed \$2,780,000)	(Unknown - Expected to exceed \$1,2780,000)	(Unknown - Expected to exceed \$1,2780,000)
<u>Cost - DESE - Retention Stipend</u> (\$168.716)			
5 Year	(\$3,212,500)	(\$3,212,500)	(\$3,212,500)
10 Year	(\$2,802,500)	(\$2,802,500)	(\$2,802,500)
TOTAL <u>Cost - Retention Stipend</u>	(\$6,015,000)	(\$6,015,000)	(\$6,015,000)
<u>Cost - DESE - Accreditation improvement stipend (\$168.720)</u>	\$0 or (Up to \$13,000,000)	\$0 or (Up to \$13,000,000)	\$0 or (Up to \$13,000,000)
<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011

Loss - Tax credit for 80% of contribution
 to scholarship granting organization
 (§135.1202)

\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE**

<u>(\$35,730,300</u>	<u>(\$33,972,642</u>	<u>(33,970,216</u>
<u>Up to Over</u>	<u>Up to Over</u>	<u>Up to Over</u>
<u>\$46,754,528)</u>	<u>\$47,011,365)</u>	<u>\$47,010,100)</u>

Estimated Net Effect on FTE for General
 Revenue

3 or 4 FTE	3 or 4 FTE	3 or 4 FTE
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**MISSOURI PRESCHOOL PLUS
 GRANT PROGRAM FUND**

Transfer In - General Revenue

\$5,000,000	\$5,000,000	\$5,000,000
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Distribution - Grants for qualified
 providers (§162.1168)

<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>
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**ESTIMATED NET EFFECT ON
 MISSOURI PRESCHOOL PLUS
 GRANT PROGRAM FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government

FY 2009 (10 Mo.)	FY 2010	FY 2011
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**LOCAL POLITICAL SUBDIVISIONS -
 SCHOOL DISTRICTS**

LMD:LR:OD (12/02)

<u>Income</u> - Scholarships for children attending new school districts (§135.1200 - §135.1210)	\$0	Unknown	Unknown
<u>Income</u> - School Districts - Grants from Preschool Grant Program (§162.1168)	\$5,000,000	\$5,000,000	\$5,000,000
Income - School Districts - 20 Year Retention Stipend (§168.712)	\$21,935,000	\$0	\$0
<u>Income</u> - School Districts - Recruitment Stipend (§168.714)			
Newly hired teachers	\$1,895,000	\$1,895,000	\$1,895,000
Newly hired teachers certificated in math and science	\$785,000	\$785,000	\$785,000
Newly hired teachers certificated in an area needed to teach children with autism	Unknown - Expected to exceed <u>\$100,000</u>	Unknown - Expected to exceed <u>\$100,000</u>	Unknown - Expected to exceed <u>\$100,000</u>
TOTAL <u>Income</u> - Recruitment Stipend	Expected to exceed \$2,780,000	Expected to exceed \$2,780,000	Expected to exceed \$2,780,000
<u>Income</u> - School Districts - 5 and 10 year Retention Stipend (§168.716)	\$6,015,000	\$6,015,000	\$6,015,000
<u>Income</u> - School Districts - Accreditation improvement stipend (§168.720)	\$0 or Up to \$13,000,000	\$0 or Up to \$13,000,000	\$0 or Up to \$13,000,000
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011

Savings - School districts that lose students would realize savings from not incurring education expenses specific to these students with developmental disabilities (§135.1200 - §135.1210)

\$0 Unknown Unknown

Loss - School districts that lose students would not receive as much state funding (§135.1200 - §135.1210)

\$0 \$0 (Unknown)

Costs - School districts that receive students would incur additional educational expenses higher than what the state would provide as a scholarship (§135.1200 - §135.1210)

\$0 (Unknown) (Unknown)

Cost - School Districts - Early childhood educational services (§162.1168)

(\$5,000,000) (\$5,000,000) (\$5,000,000)

Cost - School Districts - Distribution of Excellence in Performance Awards (168.710)

\$0 (\$20,000,000) (\$20,000,000)

Cost - School Districts - Distribution of Stipends (§168.712, 168.714, 168.716, 168.720)

(\$30,730,000 (\$8,795,000 (\$8,795,000
 Up to Over Up to Over Up to Over
 \$43,730,000) \$21,795,000) \$21,795,000)

Cost - School Districts
 Teacher and Employee Contributions
 (§169.070 & 169.670)*

(\$923,600) (\$923,600) (\$923,600)

**ESTIMATED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS**

(\$923,600) Unknown to
 (Over
 \$923,600) Unknown to
 (Over
 \$923,600)

***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

This proposal could have a fiscal impact on small businesses making donations to scholarship granting organizations. The proposal could also have a fiscal impact on child care facilities and early childhood programs.

FISCAL DESCRIPTION

§135.1200 through §135.1210 - Bryce's Law

Beginning January 1, 2008, this proposed legislation establishes Bryce's Law which authorizes a tax credit for an individual who donates to a scholarship-granting organization if the donation is not claimed on the taxpayer's federal income tax return. The tax credit may be taken against income tax, corporate franchise tax, insurance premium tax, financial institutions tax, and express company tax liability. The credit will be for 80% of the amount of the contribution but cannot exceed 50% of the taxpayer's state tax liability, up to \$800,000 per year, and is nonrefundable but may be carried forward or transferred or sold for between 75% and 100% of its par value.

Eligibility standards for students receiving scholarships are attendance at a public school with an individualized education plan (IEP) or until enrollment in a Missouri school. Up to 10% of students with an IEP may receive a scholarship each year. Scholarship-granting organizations must meet requirements for fiscal soundness, percentage of revenues devoted to educational scholarships, and public reporting. Private schools qualify to accept scholarship students by meeting specified requirements including employee background checks and providing data as requested, among others. Scholarships may also be used at a public school outside the student's resident school district. The substitute specifies how scholarship checks will be distributed.

The Department of Economic Development must conduct a study to measure student achievement, satisfaction with the program, and its fiscal impact on the state and public schools and provide the General Assembly with a final copy of the evaluation by December 31, 2013. The department cannot use public money for the study and may contract with one or more qualified researchers who have previous experience evaluating similar programs.

The provisions of these sections will expire December 31 six years from the effective date.

FISCAL DESCRIPTION (continued)

§162.1168 - Missouri Preschool Plus Grant Program

The proposed legislation creates the Missouri Preschool Plus Grant Program as a pilot program within the Missouri Preschool Project. The program will serve up to 1,250 students with preschool services and will be administered by the Department of Elementary and Secondary Education (DESE) in collaboration with the Coordinating Board for Early Childhood. School districts that are classified as unaccredited, provisionally accredited in an urban school district, and community-based organizations located within such school districts may receive grants. Grants run for three years and are renewable. At least fifty percent of the placements must be offered through community-based organizations. Children who are one or two years away from kindergarten entry may participate in the program. Children of active duty military personnel will receive admission preference.

If a school district becomes classified as provisionally accredited or accredited, it may complete the length of an existing grant and be eligible for one additional renewal for three years. The program must comply with current early childhood standards. Community-based organization grantees may employ teachers with at least an associate's degree provided they show they are on the path to obtaining a bachelor's degree within five years. School districts and community-based organizations must collect short-term and long-term data about student performance where feasible. DESE must make a good faith effort to collect long-term student performance data as required in the legislation for students who attend non-public schools.

DESE will accept applications in a competitive bid process to begin implementing the program in the 2009-2010 school year. The program will be funded through general appropriations and will not be funded through money from the Gaming Commission Fund. The General Assembly shall appropriate an amount sufficient to adequately fund the program, an amount of \$5 million in any fiscal year.

The provisions relating to the Preschool Plus Grant Program will sunset, if not reauthorized, in six years.

§168.710

Beginning in fiscal year 2010 and ending in fiscal year 2015, the general assembly shall make an annual appropriation of twenty million dollars to be distributed to school districts for a pilot project to recognize excellence in performance by instructional personnel and school-based administrators in participating districts.

FISCAL DESCRIPTION (continued)

The provisions relating to this pilot program will sunset, if not reauthorized, in six years.

§168.712, 168.714, 168.716, 168.720 - Teacher Stipends

This proposal provides for teacher stipends in the following areas:

- (1) A one-time award of \$2,500 to certificated teachers with 20 years or more of experience earning less than \$50,000;
- (2) A recruitment award of \$5,000 for math, science, or special education and \$2,500 for other subjects for teachers who become employed by districts with provisional or unaccredited status or districts that have an assessed value of less than \$70,000 per student;
- (3) A retention award for certificated teachers earning less than \$50,000 in districts that have an assessed value of less than \$70,000 per student and are accredited without provision. Beginning August 28, 2009, award amounts will be \$2,500 for five years' service and \$2,500 for 10 years;
- (4) An accreditation improvement award of \$2,500 for teachers who are employed by a district when it achieves accreditation without provision.

The provisions relating to the on-going stipend will sunset, if not reauthorized, in six years.

§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

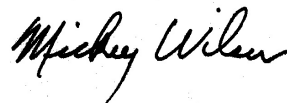
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

LMD:LR:OD (12/02)

Missouri Senate
Department of Insurance, Finance, and Professional Regulation
Department of Mental Health
Department of Health and Senior Services
Office of Secretary of State
 Administrative Rules Division
Office of State Auditor
Office of Administration
 Administrative Hearing Commission
 Division of Budget and Planning
Office of State Auditor
Department of Public Safety
 Office of the Director
 Missouri State Highway Patrol
Joint Committee on Public Employee Retirement
Department of Social Services
 Division of Youth Services
 Children's Division
School Districts
 Independence
 Poplar Bluff
 Marshfield R-I
 Poplar Bluff
University of Missouri
Lincoln University
Kansas City Metropolitan Community College
Boone County Sheriff's Department
Springfield Police Department



Mickey Wilson, CPA
Director
April 7, 2008