

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5478-02
Bill No.: HB 2430
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department; Teachers
Type: Original
Date: March 20, 2008

Bill Summary: Enacts provisions relating to educational personnel compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$37,075,500 to \$41,092,500)	(\$38,151,017 to \$42,349,305)	(37,334,441 to \$41,532,729)
Total Estimated Net Effect on General Revenue Fund	(\$37,075,500 to \$41,092,500)	(\$38,151,017 to \$42,349,305)	(37,334,441 to \$41,532,729)

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

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 11 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
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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*	(\$923,660)	(\$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

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 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.

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

§168.710

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this section states that, starting in FY 2010 and ending in FY 2015, the general assembly shall make an annual appropriation of \$15 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.

DESE officials state the proposal required the creation of a web-based ballot for teachers to vote on district participation in the excellence award program. DESE estimated IT costs of \$100,000 to comply with this provision.

§168.712.1

Teachers with a base salary of \$60,000 or less and who have at least ten full years of experience in school districts neither unaccredited, provisionally accredited, nor interim accredited and in districts with a student average daily attendance that qualifies it for participation in the small schools award will receive a one-time retroactive stipend of \$5,000.

ASSUMPTION (continued)

Based on 2007-08 data, DESE has determined that approximately 1,684 teachers would be eligible for the stipend.

$$1,684 \times \$5,000 = \mathbf{\$8,420,000}$$

§168.712.2

Teachers with a base salary of \$60,000 or less and who have at least twenty full years of experience in school districts neither unaccredited, provisionally accredited, nor interim accredited and in districts with a student average daily attendance that qualifies it for participation in the small schools award will receive a one-time retroactive stipend of \$5,000.

Oversight assumes the language of the proposal states that a teacher who qualifies for a stipend under both §168.712.1 and 168.712.2 shall receive both stipends, therefore teachers with twenty years of experience would receive a one-time retroactive stipend of \$10,000.

Based on 2007-08 data, DESE assumes approximately 745 teachers would be eligible for the stipend.

$$745 \times \$10,000 = \mathbf{\$7,450,000}$$

§168.714

Based on 2007-08 data, DESE has determined there were 568 newly hired teachers in districts meeting the small school criteria. Of those, 88 were math or science teachers. The proposed legislation provides that new teachers will receive a \$5,000 recruitment stipend. New teachers in the math and science areas will receive a \$7,500 stipend.

$$480 \times \$5,000 = \$2,400,000$$

$$88 \times \$7,500 = \$ 660,000$$

$$\text{Total} \quad = \quad \mathbf{\$3,060,000}$$

ASSUMPTION (continued)

Oversight assumes, based on information from the DESE web site, Profiles of Missouri 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.

$$278 \times \$5,000 = \$1,390,000$$

$$69 \times \$7,500 = \$ 517,500$$

$$\text{Total} = \mathbf{\$1,907,500}$$

§168.716.1

Teachers with a base salary of \$60,000 or less and who have at least five full years of experience in school districts neither unaccredited, provisionally accredited, nor interim accredited and in districts with a student average daily attendance that qualifies it for participation in the small schools award will receive an annual stipend of \$2,500.

Based on 2007-08 data, DESE assumes approximately 147 teachers would be eligible for the stipend.

$$147 \times \$2,500 = \mathbf{\$367,500}$$

§168.716.2

Teachers with a base salary of \$60,000 or less and who have at least ten full years of experience in school districts neither unaccredited, provisionally accredited, nor interim accredited and in districts with a student average daily attendance that qualifies it for participation in the small schools award will receive an annual stipend of \$5,000.

Based on 2007-08 data, DESE has determined that approximately 1,684 teachers would be eligible for the stipend.

$$1,684 \times \$5,000 = \mathbf{\$8,420,000}$$

ASSUMPTION (continued)

§168.716.3

Teachers with a base salary of less than \$60,000 with at least twenty full years of experience in school districts neither unaccredited, provisionally accredited, nor interim accredited and in districts with a student average daily attendance that qualifies it for participation in the small schools award will receive an annual stipend of \$10,000.

Based on 2007-08 data, DESE assumes approximately 750 teachers would be eligible for the stipend.

$$745 \times \$10,000 = \mathbf{\$7,450,000}$$

§168.720.1

Any teacher with a base salary of \$60,000 or less in a school district that is unaccredited, provisionally accredited, or interim accredited which achieves accreditation without provisions shall receive a one-time accreditation stipend of \$2,500.

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.

$$1,607 \times \$2,500 = \mathbf{\$4,017,500}$$

Officials from the **Department of Revenue (DOR)** assumed the following positions would be needed to process returns:

Personal Tax would require:

- 2 Temporary Tax Employees for key-entry
- 1 Tax Processing Technician I for every 19,000 returns to be verified
- 1 Tax 1Processing Technician I for every 2,400 pieces of correspondence generated

Customer Assistance would require:

- 1 Tax Collection Technician I for every 15,000 calls a year on the income tax phone line
- 1 Tax Collection Technician I for every 24,000 calls a year to the delinquency phone line
- 3 Tax Processing Technician I for every additional 4,800 contacts in the field offices

ASSUMPTION (continued)

(Taxation anticipates most customers will contact the department via phone, therefore, will only request 1 Full Time Employee for each of the larger field offices including Kansas City, St. Louis, and Springfield)

Oversight assumes that due to the low number of returns affected by this proposal (approximately 5,000), costs could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are enacted which increase the DOR workload, resources could be requested through the budget process.

Oversight assumes that the stipends to be awarded in §168.712, 168.714, 168.716, 168.718, and 168.720 shall not be subject to state personal income tax under Chapter 143, RSMo. In the absence of any change to the tax base, the stipend neither adds nor subtracts to Missouri taxable income; however, **Oversight** assumes revenue that would be foregone due to the stipend not being subject to state personal income tax would total \$1,668,375 to \$1,849,163 in FY 2010 and \$954,225 to \$1,135,013 in FY 2011.

§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 (\$796,140) 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 (\$127,520) in the contribution rate for active members and school districts.

ASSUMPTION (continued)

This request was sent to PSRS/PEERS actuaries, Gabriel, 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 create a "substantial proposed change" 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>Revenue Reduction</u> - Teacher stipends not subject to state income tax (§168.712, 168.714, 168.716, 168.720)	\$0	(\$1,668,375 to \$1,849,163)	(\$954,225 to \$1,135,013)
<u>Cost</u> - Department of Elementary and Secondary Education - Teacher recognition pilot program (§168.710.1)	\$0	(\$15,000,000)	(\$15,000,000)
<u>Cost</u> - 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)
Estimated Net FTE Change for Department of Elementary and Secondary Education	0	3 FTE	3 FTE
<u>Cost</u> - DESE (§168.710.4)			
IT/Programming costs	\$0	(\$100,000)	\$0
<u>Cost</u> - DESE - Teacher stipends for teachers with ten years experience - one time (small schools) (§168.712.1)	(\$8,420,000)	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>Cost</u> - DESE - Teacher stipends for teachers with twenty years experience - one time (small schools) (§168.712.2)	(\$7,450,000)	\$0	\$0
<u>Cost</u> - DESE - Teacher stipends - recruitment (§168.714)	(\$4,967,500)	(\$4,967,500)	(\$4,967,500)
<u>Cost</u> - DESE - Teacher Stipends - Small school ongoing stipend - five years experience (§168.716.1)	(\$367,500)	(\$367,500)	(\$367,500)
<u>Cost</u> - DESE - Teacher stipends for teachers with ten years experience - ongoing (small schools) (§168.716.2)	(\$8,420,000)	(\$8,420,000)	(\$8,420,000)
<u>Cost</u> - DESE - Teacher stipends for teachers with twenty years experience - ongoing (small schools) (§168.712.3)	(\$7,450,000)	(\$7,450,000)	(\$7,450,000)
<u>Cost</u> - DESE - Stipends for teachers in districts that achieve accreditation (§168.720)	\$0 to (Up to <u>\$4,017,500</u>)	\$0 to (Up to <u>\$4,017,500</u>)	\$0 to (Up to <u>\$4,017,500</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$37,075,500 to \$41,092,500)</u>	<u>(\$38,151,017 to \$42,349,305)</u>	<u>(\$37,334,441 to \$41,532,729)</u>
Estimated Net FTE Change for General Revenue Fund	0 FTE	3 FTE	3 FTE

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

LOCAL POLITICAL SUBDIVISIONS

Income - School Districts - Excellence in
 Performance Awards (§168.710)

\$0 \$15,000,000 \$15,000,000

Income - School Districts - Teacher
 stipends (§168.712, 168.714, 168.716,
 168.720)

\$37,075,000 to \$21,250,000 to \$21,205,000 to
 \$41,092,500 \$25,222,500 \$25,222,500

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

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

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

\$0 (\$15,000,000) (\$15,000,000)

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

(\$37,075,000 to (\$21,250,000 to (\$21,205,000 to
\$41,092,500) \$25,222,500) \$25,222,500)

**EXPECTED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS**

(\$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 IMPACT - Small Business

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

FISCAL DESCRIPTION

§168.710

Beginning in fiscal year 2010 and ending in fiscal year 2015, the general assembly shall make an annual appropriation of fifteen 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.

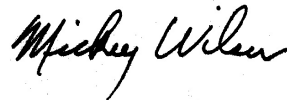
§168.712, 168.714, 168.716, 168.720

This proposal provides for stipends to be given to certain teachers based on years of experience and a recruitment stipend for newly hired teachers in certain districts.

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
Office of State Treasurer
Department of Revenue
Office of Secretary of State
Administrative Rules Division
Joint Committee on Public Employee Retirement
Public School and Education Employee Retirement Systems of Missouri



Mickey Wilson, CPA
Director
March 20, 2008