

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0765H.04P
 Bill No.: Perfected HCS for HB 497
 Subject: Department of Higher Education and Workforce Development; Teachers;
 Department of Elementary and Secondary Education
 Type: #Updated
 Date: April 11, 2023
 #Updated to include information from Department of Elementary and Secondary Education.
 Pages 1, 3, 8, 18, 19, 22 & 23

Bill Summary: This proposal modifies the urban flight and rural needs scholarship program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2032)
#General Revenue*	(\$55,754 to More or less than \$24,433,176)	(\$53,952,531 to More or less than \$84,953,097)	(\$83,552,726 to More or less than \$118,317,127)	(\$302,059,212 to Could exceed \$339,445,133)
#Total Estimated Net Effect on General Revenue	(\$55,754 to More or less than \$24,433,176)	(\$53,952,531 to More or less than \$84,953,097)	(\$83,552,726 to More or less than \$118,317,127)	(\$302,059,212 to Could exceed \$339,445,133)

*Oversight notes the Urban Flight and Rural Needs Scholarship Program is currently not appropriated. Therefore, Oversight has reflected the cost of the changes as a new program (now named the Teacher Recruitment and Retention State Scholarship Program). As the new Teacher Recruitment and Retention State Scholarship Program is still subject to appropriation, Oversight has reflected the cost of the program as "\$0 or".

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2032)
Criminal Record System Fund (0671)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Teacher Baseline Salary Grant Fund**	\$0	\$0	\$0	\$0
*Teacher Recruitment and Retention State Scholarship Program Fund	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Unknown)	\$0 or Unknown or (Unknown)	\$0 or Unknown or (Unknown)	\$0 or Unknown or (Unknown)

*Oversight assumes if 5% of scholarships funds were converted to loans, increased revenues could potentially meet the \$250,000 threshold in FY 2026.

**Transfers in and distributions net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2032)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2032)
Total Estimated Net Effect on FTE	0	0	0	\$0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2032)
#Local Government	Less than (\$35,405,393 to \$12,539,571)	Less than \$11,230,075 to \$49,614,841	Less than \$40,030,619 to \$78,978,140	Less than \$258,537,105 to \$297,484,626

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 43.539 and 43.540 - Missouri RAP Back Program

In response to a similar proposal in another bill, Perfected HB 70 from the 2023 session, officials from the **Missouri Highway Patrol (MHP)** stated the impact to the Criminal Record System fund is unknown but MHP has looked at projections and does not see a fiscal impact.

Based on information provided by the MHP, **Oversight** notes there were 103,325 non-criminal justice individuals enrolled in the Rap Back Program.

Oversight will show a range of impact to the Criminal Record System fund of \$0 to an unknown loss from foregone fees for criminal record reviews. Oversight is uncertain how many criminal record reviews are completed due to the six year requirement; however, Oversight does not anticipate the impact to the Criminal Records System Fund to exceed the \$250,000 threshold.

Section 160.485 - Bleeding Control Kits

In response to the previous version, officials from **Department of Elementary and Secondary Education (DESE)** stated, subject to appropriation, the minimum total cost to provide the bleeding control kits would be \$1,511,600 with ongoing costs to replenish/replace used or expired items.

The cost per bleeding control kit is estimated at \$100. The number of buildings in Missouri that would require kits is 2,391. The Department estimates a minimum of five kits per building (auditorium, library, gymnasiums, science classrooms, and cafeterias) with the number of kits estimated to be around 11,955. Additional kits to be required at the career-technical centers (57) at a minimum of three per center is estimated to be approximately 171.

The Department assumes that the general assembly will appropriate funds to award grants/reimbursement to local education agencies for the cost of "Stop the Bleed" kits. $12,126 \text{ kits} \times \$100 \text{ per kit} = \$1,212,600$ plus an additional five kits for approximately 25% of schools (598) who have an additional need for high traffic areas or multiple required locations = \$299,000 for a total of \$1,511,600.

Once the program has been implemented throughout Missouri materials will need replaced/restocked as they are used or expire. The Department estimates a minimum cost of \$100,000 with additional potential costs due to inflation.

DESE estimates current staff will develop guidelines as required and administer the grants/reimbursement, however it will increase the workload on current staff and require administrative support. If multiple items of legislation are passed that require additional duties, DESE will seek additional FTE through the appropriation process.

In response to a similar proposal, HCS HB 1991 (2020), officials from the **Maries County R-1 School District** assumed the cost would be approximately \$69.99 per classroom: \$68.99 for the Curaplex Stop the Bleed Kit and \$1.00 for the Emergency Thermal Blanket (10 for \$9.95). Fifty five spaces would need one in their school, it would cost them \$3,850 to put them in. They would have to replace the kits when they expire.

In response to a similar proposal, HCS HB 1722 (2022), DESE used an estimated cost per kit of \$35. However, based on their research this year, DESE estimated the cost to be closer to \$100 per kit based on the average cost of bleeding control kits. For example, the American Red Cross offers a [Professional Bleeding Control Kit](#) for \$109.95. In addition, they indicated some of the cost increase may be related to inflation and supply chain issues.

Ultimately, **Oversight** is uncertain what cost would be realized but notes prices ranged from \$50 to over \$200 per kit based on a brief review. Oversight will show the costs to provide bleeding control kits at \$1,511,600 as estimated by DESE.

Oversight assumes the requirements in this proposal are subject to an appropriation by the General Assembly that would cover all costs. Oversight assumes kits will not be used frequently, so restocking and annual training costs will be shown as ‘could exceed (\$100,000)’ in future years.

Section 160.565 Extended Learning Opportunities

In response to the previous version, officials from **DESE** stated this section establishes the Extended Learning Opportunities Act. If passed, Office of College and Career Readiness (OCCR) staff will be required to assist students and parents in completing an enrollment process, developing a partnership agreement form for each vendor that parents or students must sign, assisting in training / professional development for local education agency (LEA) staff regarding these forms, assuring each student and one parent/guardian signs the form, determining if the parent has parental rights in place to sign such a form, etc. OCCR estimates at least one Director FTE at approximately \$68,808 annual salary (O03310) with an initial E&E cost of \$17,007 would be required to comply with these requirements.

Section 160.565 also requires OCCR staff to develop statewide policy, including potentially creating a guidance document (to address the above-mentioned requirements as well as those listed in this paragraph), criteria for provider approval, basis for credit acceptance, an application

process, etc. Consistent with the FY22 response to a similar bill, DESE estimated an additional fiscal impact of at least **\$35,000** for policy development and modifications to the data collection system. OCCR supports this estimate for this 2023 bill.

In response to a similar provision in HCS for SB 323 (2021), officials from the **Sikeston R-6 School District** assumed the impact would be related to developing new learning opportunities for students with new partnerships.

In response to similar proposal, SCS HB 1856 (2022), officials from the **Gordon Parks Elementary Charter School** assumed the proposal would have no fiscal impact on their organization.

Oversight assumes this section requires, beginning with the 2024-2025 school year, each local school board shall routinely inform students and their parents of the ability to earn credit for participating in extended learning opportunities.

Oversight assumes there could be costs for DESE to develop a form, policy and/or approval process for entities offering extended learning opportunities. Oversight will show the costs for policy development and modifications to the data collections system.

Oversight assumes this proposal does not appear to require that DESE assist students and parents who want to participate in extended learning opportunities. Therefore, Oversight will not show the costs for the FTE as estimated by DESE.

Oversight assumes there could be costs for school districts to inform and assist students wanting to participate in extended learning opportunities. Oversight will show an unknown costs to school districts.

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

Oversight only reflects the responses received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Sections 160.665, 571.030, 571.107, 571.215, 590.010, and 590.205 (School protection officers)

In response to the previous version, officials from the **Department of Elementary and Secondary Education, Department of Public Safety - Office of the Director** and the **Department of Public Safety - Missouri Highway Patrol** each assumed these provisions would have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these sections of the proposal.

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

Oversight only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Sections 162.471, 162.492 and 162.611 – House Amendment 3 - Appointing School Board Members

In response to a similar proposal, HB 914 (2023), officials from the **Jackson County Board of Elections, Kansas City Board of Elections, Platte County Board of Elections, St. Louis City Board of Elections** and **St. Louis County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes there could be savings if the Kansas City Public Schools and St. Louis Public Schools can appoint a board member instead of holding a special election.

Section 163.011 & 163.031 – House Amendment 5 – Foundation Formula Changes

In response to a similar proposal, HB 529 (2023), officials from the **DESE** assumed the changes to the calculation for the foundation formula would result in the following formula call increases by year. Data used in this simulation is from the most recent SAT calculation for FY 2023 & 2024 and data used in the FY 2024 budget simulations for the foundation formula. Future calculations will be based on different set(s) of performance districts and more current ADA and DVM information.

		SAT	FRL	IEP	LEP	Formula Call	Increase from Prior Year	Increase From 2024
	2023 & 2024	6,375.00				\$3,577,378,524.99		
6%	2025	6,414.00	30.92	13.12	2.3	\$3,606,714,565.22	\$29,336,040.23	\$29,336,040.23
	2026	6,453.00	30.92	13.12	2.3	\$3,636,314,760.22	\$29,600,195.00	\$58,936,235.23
7%	2027	6,526.50	30.92	13.12	2.3	\$3,692,935,791.22	\$56,621,031.00	\$115,557,266.23
	2028	6,600.00	30.92	13.12	2.3	\$3,750,053,028.22	\$57,117,237.00	\$172,674,503.23
8%	2029	6,633.00	30.92	13.12	2.3	\$3,775,925,302.22	\$25,872,274.00	\$198,546,777.23
	2030	6,666.00	30.92	13.12	2.3	\$3,801,935,436.22	\$26,010,134.00	\$224,556,911.23
9%	2031	6,699.50	30.92	13.12	2.3	\$3,828,364,355.22	\$26,428,919.00	\$250,985,830.23
	2032	6,733.00	30.92	13.12	2.3	\$3,854,821,246.22	\$26,456,891.00	\$277,442,721.23
No Cap	2033	6,874.00	29.33	13.42	2.25	\$3,967,173,478.50	\$112,352,232.28	\$389,794,953.51
	2034	7,015.00	29.33	13.42	2.25	\$4,081,075,613.50	\$113,902,135.00	\$503,697,088.51

Note per statute only half of the increase in the SAT is applied the first year with the remainder of the increase the following year.

Oversight will show the cost as estimated by DESE assuming half of the increase in the SAT is applied the first year with the remainder applied in the second year. Oversight assumes this provision caps the SAT at nine percent of the state revenue.

#Officials from **Department of Elementary and Secondary Education** state the change in the SPED multiplier (§163.011(20)) will add a cost of 24,616,491.84 per year.

Section 163.172 – House Amendment 6 – Baseline Teacher Salary Grants Program

In response to a similar proposal, SB 19 (2023), officials from the **DESE** stated the estimated cost of increasing the salary of all Missouri teachers (8,056 teachers overall) from \$25,000 to \$38,000 is \$27,480,234 annually (163.172.1).

The estimated cost of increasing the salary of all Missouri teachers (3,211 teachers overall) with a master’s degree and ten years teaching experience from \$33,000 to \$46,000 is \$11,718,318 annually (163.172.1).

Total cost of all salary adjustments is \$39,198,552.

Based on information provided by DESE, **Oversight** notes there are 68,380 Teacher FTE, of which approximately 29,486 have Master’s Degrees and at least 10 years of experience.

Oversight assumes this proposal requires school districts to raise teacher salaries to the proposed minimum levels. Oversight assumes this would be a cost to the school districts. However,

Oversight notes TAFP HB 3002 (2022) authorized General Revenue funding (\$21,793,144) for 70% of the funding needed to increase teacher salaries from \$25,000 to \$38,000 for FY 2023 (Section 2.020). School districts and charter schools must apply for the funding and provide a local match of 30% (per DESE's Budget Request for FY 2024 page 324). As of July 2022, DESE had approved 344 grant applications from school districts.

DESE requested this same funding for FY 2024 to raise salaries to \$38,000 plus an increase for related benefit costs for a total request of \$29,410,199 (per DESE's Budget Request for FY 2024 page 329).

Oversight assumes this proposal creates a Grant Program where school districts can apply to DESE for a grant of money to assist school districts in increasing the minimum teacher salaries.

Oversight will show a potential range of impact to General Revenue of \$0 (no appropriation) up to 70% of the cost estimated by DESE or \$27,438,986 (assuming a 2% inflation rate) transferring to the Teacher Baseline Salary Grant Fund.

Oversight notes this proposal ramps up the baseline teacher salary for teachers with a master's degree and ten years of experience over a three year period reaching \$46,000 in FY 2027. The cost estimate by DESE is based on the maximum \$46,000. For purposes of this fiscal, Oversight will show the cost as less than the estimate provide by DESE for years prior to FY 2027.

Oversight will show a range of impact to school districts for 30% of the cost (or \$11,759,566) up to the full cost (\$39,198,552) if no moneys are appropriated by the general assembly.

Oversight assumes this proposal would be effective August 28, 2023 and will show a ten month cost for FY 2024.

168.110 - Differentiated Placement on Salary Schedule

In response to the previous version, officials from the **DESE** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DESE for this section of the proposal.

Oversight assumes this proposal would allow school districts the flexibility to increase the pay for teaching positions that are more difficult to fill. Oversight notes there could be increased costs for school districts if teachers in hard-to-staff subject areas receive differentiated placement on the salary schedule to increase compensation; however, this is at the discretion of the school districts (may).

Oversight did not receive any responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon

the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and county commissioners were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Section 168.400 – House Amendment 4 – Preservice Teacher Programs Entry Level Testing

Oversight does not anticipate a fiscal impact from this provision.

Sections 169.070, 169.560, and 169.596 – Public Schools and Education Retirement System (PSRS) and Public Education Employee Retirement System (PEERS)

Current Status of the Public School Retirement System (PSRS) as of June 30, 2022:

Active members: 78,973
Inactive members: 87,096 (includes retired, surviving beneficiary, disabled and terminated vested)

		Funded Ratio
Market Value of Assets:	\$47,671,054,492	
Actuarial Value of Assets:	\$47,185,300,000	85.2%
Liabilities:	\$55,405,259,756	

Covered Payroll: \$5,271,368,324

Recommended Contribution for FY 2022: 29% - Employers and employees contribute in equal amounts of 14.5%.

Percent	Dollars (Estimated)	
Employer	14.5%	\$764,348,407 (estimated)
Employee	14.5%	\$764,348,407 (estimated)
Total	29.0%	\$1,528,696,814 (estimated)

Current Status of the Public Education Employee Retirement System (PEERS) as of June 30, 2022:

Active Members: 50,179
Inactive Members: 81,318 (includes retired, surviving beneficiary, disabled and terminated vested)

Funded Ratio

Market Value of Assets:	\$6,153,590,531	
Actuarial Value of Assets:	\$6,113,154,000	87.3%
Liabilities:	\$6,998,708,341	

Covered Payroll: \$1,864,704,185

Recommended contribution rate for FY2022: 13.72%. Employers and employees contribute in equal amounts of 6.86%.

	Percent	Dollars
Employer	6.86%	\$127,918,707 (estimated)
Employee	6.86%	\$127,918,707 (estimated)
Total		\$255,831,414 (estimated)

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state the Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. PWC has provided a cost statement for this legislation. The overall results and impacts of this legislation is discussed below.

This legislation, as currently drafted, has three specific components impacting Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS) that are each addressed below.

Section 169.560 - Working After Retirement - PSRS Retiree in Non-Certificated Position

Currently, any retired teacher from PSRS can be employed in a non-certificated position covered under PEERS without impacting their retirement benefit up to certain limitations. Any certificated retiree may earn up to 60% of the minimum teacher's salary (\$15,000) as established by Section 163.172, RSMo, and will not contribute to the retirement system or earn creditable service for that work. The employers would be required to contribute into the PEERS for such employment.

This legislation will allow a retired, certificated teacher, working in a non-certificated position covered under PEERS, to earn up to 133% the annual earnings limit applicable to a Social Security limitation as set forth in 20 CFR 404.430 through June 30, 2028. After June 30, 2028 the retired, certificated teacher, working in a non-certificated position covered under PEERS, would be able to earn up to the annual earnings limit applicable to a Social Security limitation as set forth in 20 CFR 404.430.

PwC reviewed this portion of the legislation and estimate the impact of the proposed change to increase the pay-based limit on working after retirement under RSMo 169.560 Paragraph 2, in particular the increase to 133% of the annual Social Security earnings exemption amount through June 30, 2028 and then to 100% of the annual Social Security earnings exemption amount thereafter, to be a **fiscal loss to PSRS** if there is a change in active member retirement behavior

to retire earlier as a result. This analysis is based on this provision in isolation and not the aggregate impact of all components of the legislation.

PwC indicated the proposed change to Section 169.560 Paragraph 2 is expected to result in an **insignificant fiscal gain to PEERS**.

Section 169.596 - Critical Shortage

The critical shortage employment exception found in Section 169.596, RSMo is a statutory provision which allows covered employers who meet certain requirements (as set forth in statute) to employ a limited number of PSRS/PEERS retirees up to full-time without affecting the payment of their retirement benefits. Each retired member is limited to two years working under the critical shortage employment exception.

During the two years of critical shortage employment, employer contributions must be made on all salary earned, including employer-paid medical insurance premiums and pay for additional duties. The retired members employed under this provision continue to receive benefits, but do not contribute to PSRS/PEERS or earn service. By statute, districts cannot use the critical shortage employment exception to fill the position of superintendent.

This legislation allows retirees to return to work under the critical shortage exemption statute up to four years versus the current two-year restriction. PwC reviewed this portion of the proposed legislation and noted it is expected to have **an insignificant fiscal gain for both PSRS and PEERS**.

Critical Shortage – Number of Positions Allowed

The critical shortage employment exception found in Section 169.596, RSMo, indicates the total number of retired certificated teachers hired under the critical shortage declaration shall not exceed the lesser of ten percent of the total teacher staff for that school district, or five certificated teachers. The proposed legislative would change this provision to be the greater of one percent of the total certificated teachers and noncertificated staff for that school district or five certificated teachers.

PwC reviewed this portion of the proposed legislation and noted it is expected to have an **insignificant fiscal gain for PSRS and PEERS**.

Section 169.070 - 2.55% Formula Factor Provision

This legislation removes the expiration date of July 1, 2014, for the 2.55% Formula Factor Provision with 31 or more years of service for 169.070.1(8), RSMo for members of the Public School Retirement System of Missouri (PSRS). Additionally, this legislation amends the years of service requirement for the provision from 31 or more years of service to 32 or more years of service.

Currently, PSRS members who have 32 years or more of creditable service and retire have their retirement benefit calculated using a multiplier of 2.5%. The 2.55% Benefit Formula Factor Provision would allow for eligible members with 32 or more years of service to retire with an additional 0.05% Formula Factor.

The analysis prepared by PwC indicating, the proposed legislation would reduce the Plan's Actuarial Accrued Liability (AAL) by \$234.4 million and result in an increase to the Plan's pre-funded ratio of 0.37%.

There are two components that impact the Actuarially Determined Contribution Rate (ADC) for a public retirement plan; the Normal Cost Rate (NC) and the Unfunded Actuarial Accrued Liability Rate (UAAL). The reduction of the AAL, results in a decrease in the annual UAAL rate resulting in annual savings of approximately \$14 million for the next 30 years (for PSRS). There are additional annual savings of \$7.2 million per year due to the reduction of the normal cost as a result of these provisions being made a permanent part of the benefit structure. The annual normal costs savings will continue as long as the new provisions are in force (this could extend beyond 30 years).

The annual savings of \$21.2 million per year for the next 30 years is due to the reduction of the UAAL Rate and the NC Rate of the Plan as a result of the 2.55% provision being made a permanent part of the benefit structure (for PSRS).

PWC modeled two scenarios based on current information that result in a fiscal gain for PSRS. PWC further notes that it is also possible for PSRS to experience no fiscal gain or a fiscal cost related to these changes, depending on whether or not active members and employers change their behavior as expected. This portion of the legislation has no impact on PEERS.

Aggregate Fiscal Impact to PSRS/PEERS

There are only two provisions that are expected to have a significant impact on the Systems. Those provisions are the changes to the annual earnings limit for PSRS retirees working in non-certificated positions and the reinstatement of the 2.55% formula factor for PSRS members that work at least 32 years. As discussed, the 2.55% formula factor provisions are a significant fiscal savings to PSRS.

If, the change in the annual earnings limit for PSRS retirees working in non-certificated positions through June 30, 2028, incentivizes PSRS members to retire earlier than expected the savings from the 2.55% provision would be diminished. However, since the increased annual earnings limit is for a very limited time the savings are not substantially diminished, **resulting in a cost savings in total.**

The analysis prepared by PwC indicated, that the proposed legislation could reduce the Plan's Actuarial Accrued Liability (AAL) by \$213.7 million and result in an increase to the Plan's pre-

funded ratio of 0.33%, under this scenario. It is further estimated that the actuarially determined contribution would decrease resulting in annual savings of \$20.8 million per year for the next 30 years.

The aggregate impacts to PEERS are not anticipated to be fiscally significant.

Oversight assumes the reduction in the Normal Cost Rate and the Unfunded Actuarial Accrued Liability will result in a decrease to the Actuarially Determined Contribution (ADC) Rate.

Oversight notes the estimated annual savings of \$20.8 million is split between employer contributions and employee contributions. The estimated employer contributions would decrease by \$10.4 million per year. Oversight will reflect a potential savings to school districts for the employer contribution savings.

Oversight will show a range of impact of \$0 (little or no change in the behavior of active members and employers) to a savings in employer contributions as provided by the actuarial cost estimate. Oversight assumes this proposal is effective August 28, 2023 (FY 2024). Given that actuarial-determined contribution rates will have already been determined for FY 2024 once this proposal is effective, Oversight will show a savings to local school districts beginning FY 2025.

Section 170.025 – House Amendment 2 – Cursive Writing

In response to a similar proposal, HB 232 (2023), officials from the **DESE** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note to this agency.

In response to a similar proposal, HB 108 (2021), officials from the **Bowling Green R-1 School District** stated this proposal is redundant. This is already a communications arts standard in Missouri that requires students in 2nd and 3rd grade to write legibly (print, cursive).

In response to a similar proposal, HB 108 (2021), officials from the **Fordland R-III School District**, **High Point R-III School District** and the **Shell Knob 78 School District** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a similar proposal, HB 54 (2019), the **Springfield Public Schools** said it would cost \$85,000 in materials, assessments and teacher time.

Oversight notes the [English Language Arts Missouri Learning Standards](#) for K-5 include a standard for Grade 2 and Grade 3 to “write legibly (print, cursive)”.

Based on the cost estimate provided by the Springfield Public Schools and the district’s 4th and 5th grade enrollment numbers, **Oversight** estimates a per student cost of approximately \$21 (\$85,000/4,087).

The statewide total enrollment for Grade 4 and Grade 5 is 130,473. Assuming a per student cost of \$21, **Oversight** estimates the cost to implement this proposal at \$2,739,933. However, Oversight notes some districts indicated there would be no fiscal impact from this proposal; therefore, Oversight will show a cost of less than \$2,739,933.

Section 170.281 - Personal Finance Course

In response to the previous version, officials from **DESE** estimated the total cost for workgroups to be **\$20,754** (18 representatives for two meetings). Representatives include nine educators providing instruction in personal finance (one per RPDC region, representing rural, urban, suburban districts, CTE teachers, and social studies teachers); one from MCCTA (CTE professional organization); two each from DESE, the banking industry, entrepreneurs, and non-profits.

Oversight will show a one-time cost in FY 2024 to convene a work group to develop academic performance standards relating to a personal finance curriculum.

Oversight assumes this proposal requires each student after the ninth grade to complete a one-half unit of credit of personal finance before receiving a high school diploma. Oversight assumes there could be costs for school districts to offer a one-half unit of credit for personal finance. Oversight will show a range of impact of \$0 (minimal impact or can be absorbed) to an unknown cost.

Oversight did not receive any response from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Section 173.232 as Amended by House Amendment 1 - Urban Flight and Rural Needs Scholarship Program

In response to the previous version, officials from the **DESE** assumed the average cost of tuition in Missouri was \$14,564 in the 2020-2021 academic year. Based on this average, here are the following estimates based on the (maximum) number of scholarships.

The maximum number of scholarships made available under this section shall be as follows:
For academic years ending before July 1, 2024, one hundred: \$1,456,400 (100 X \$14,564)

- For the 2024-25 academic year two hundred: \$2,912,800
- For the 2025-26 academic year two hundred twenty: \$3,204,080

- For the 2026-27 academic year two hundred forty: \$3,495,360
- For the 2027-28 academic year two hundred sixty: \$3,786,640
- For the 2028-29 academic year two hundred eighty: \$4,077,920
- For the 2029-30 academic year and all subsequent years, three hundred: \$4,369,200

DESE based the estimate on the current average tuition; however, if costs increase, the total cost of the scholarship program may also increase. Scholarships will only be awarded based upon appropriation. DESE also expects administration duties for the scholarship program to increase with the increased number of available scholarships. At this time DESE is prepared to absorb those costs. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

Oversight assumes the ramp-up schedule for proposed scholarships is as follows:

- FY 2025 – 200 - 200 (first year scholarships)
- FY 2026 – 420 - 200 (second year scholarships) + 220 (new first year scholarships)
- FY 2027 – 460 - 220 (second year scholarships) + 240 (new first year scholarships)
- FY 2028 – 500 - 240 (second year scholarships) + 260 (new first year scholarships)
- FY 2029 – 540 - 260 (second year scholarships) + 280 (new first year scholarships)
- FY 2030 – 580 - 280 (second year scholarships) + 300 (new first year scholarships)
- FY 2031 – 600 - 300 (second year scholarships) + 300 (new first year scholarships)

Oversight notes the Urban Flight and Rural Needs Scholarship program was created by SB 980 in 2006. Upon further inquiry, DESE indicated this program has not received an appropriation in the last five years. For purposes of this fiscal note, Oversight assumes the cost of this program would be the maximum allowed number of scholarships (assuming DESE’s average cost of tuition). See the chart below.

Academic Year	Proposed Scholarships	Proposed Law Cost
2024-25	200	\$2,912,800
2025-26	420	\$6,116,880
2026-27	460	\$6,699,440
2027-28	500	\$7,282,000
2028-29	540	\$7,864,560
2029-30	580	\$8,447,120
2030-31	600	\$8,738,400

Oversight will show a range of impact of \$0 (no scholarships issued or no funds appropriated) up to the cost for the maximum number of scholarships allowed.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Commerce and Insurance, Department of Higher Education and Workforce Development, Department of Corrections, Department of Revenue, Department of Public Safety (Director's Office, Missouri Highway Patrol and the State Emergency Management Agency), Department of Social Services, Missouri Department of Agriculture, Missouri Department of Transportation, Office of the State Auditor, Missouri Lottery, Missouri Office of Prosecution Services** and the **Branson Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the previous version, officials from the **Department of Health and Senior Services, Department of Mental Health, Department of Labor and Industrial Relations, Department of Public Safety (Missouri Gaming Commission and the Missouri Veterans Commission), Missouri National Guard** and the **Office of Administration** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to the previous version, officials from the **Phelps County Sheriff, Kansas City Police Department** and the **St. Louis County Police Department** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

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

Officials from the **Office of the Secretary of State (SOS)** note 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 for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT</u> <u>- State</u> <u>Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2032)
GENERAL REVENUE				
<u>Transfer Out -</u> DESE - bleeding control kits and school personnel training - §160.485 - p. 4-5	\$0 to (Could exceed \$1,511,600)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)
<u>Costs - DESE -</u> policy development and modifications to data collection system - §160.565 - p.5-6	(\$35,000)	\$0	\$0	\$0
<u>Costs - cumulative</u> cost of increased call to the foundation formula - §163.011 – p.7-8	\$0	(\$29,336,040)	(\$58,936,235)	(\$277,442,721)
<u>#Costs – increase</u> in SPED multiplier - §163.011(20) – p.7-8	\$0	(\$24,616,491)	(\$24,616,491)	(\$24,616,491)
<u>Transfer Out -</u> DESE - teacher salary increases if funded through the Teacher Salary Grants at 70% of the cost - §163.172 - p.8-9	\$0 or Less than (\$22,865,822)	\$0 or Less than (\$27,987,766)	\$0 or Less than (\$28,547,521)	\$0 or Could exceed (\$28,547,521)

<u>Costs</u> - DESE - to convene a work group - §170.281 - p.14-15	(\$20,754)	\$0	\$0	\$0
<u>Costs</u> - DESE - §173.232 – transfer out to the Teacher Recruitment and Retention State Scholarship Program Fund increase in maximum allowed scholarships - p.15-16	\$0	\$0 or (\$2,912,800)	\$0 or Up to (\$6,116,880)	\$0 or Up to (\$8,738,400)
#ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$55,754 to More or less than \$24,433,176)	(\$53,952,531 to More or less than \$84,953,097)	(\$83,552,726 to More or less than \$118,317,127)	(\$302,059,212 to Could exceed \$339,445,133)
CRIMINAL RECORD SYSTEM FUND (0671)				
<u>Loss</u> - from foregone fees for criminal record reviews - §43.539 & §43.540 - p.4-5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE CRIMINAL RECORD SYSTEM FUND	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT</u> – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2032)
TEACHER BASELINE SALARY GRANT FUND				
<u>Transfer In</u> – from General Revenue – §163.172 - p.8-9	\$0 or Less than \$22,865,822	\$0 or Less than \$27,987,766	\$0 or Less than \$28,547,521	\$0 or Could exceed \$28,547,521
<u>Transfer Out</u> – to School Districts - §163.172 - p.8-9	\$0 or Less than (\$22,865,822)	\$0 or Less than (\$27,987,766)	\$0 or Less than (\$28,547,521)	\$0 or Could exceed (\$28,547,521)
ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND				
<u>Transfer In</u> – from General Revenue - §173.232 p.15-16	\$0	\$0 or \$2,912,800	\$0 or Up to \$6,116,880	\$0 or Up to \$8,738,400
<u>Costs</u> - scholarships	\$0		\$0 or Up to	

awarded - §173.232 p.15-16		\$0 or (\$2,912,800)	(\$6,116,880)	\$0 or Up to (\$8,738,400)
FISCAL IMPACT – <u>State</u> <u>Government</u> – continued	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2032)
<u>Income</u> - Principal and Interest payments rec'd – from scholarships converted to loans - §173.232 p.15-16	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> – sale proceeds – from scholarships converted to loans & sold to MOHELA - §173.232 p.15-16	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT</u> – <u>Local</u> <u>Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2032)
SCHOOL DISTRICTS				
<u>Transfer In</u> - from General Revenue - §160.485 - p.4-5	\$0 to Could exceed \$1,511,600	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000
<u>Cost</u> - for cost of bleeding control kits and school personnel training - §160.485 - p.4-5	\$0 to (Could exceed \$1,511,600)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)	\$0 or (Could exceed \$100,000)
<u>Costs</u> - inform and assist students/parents on extended learning opportunities - §160.565 - p.5-6	0	(Unknown)	(Unknown)	(Unknown)
<u>Savings</u> – election costs - §162.471, 162.492 & 162.611 – p.7	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain</u> - cumulative gain from increased call to the foundation formula - §163.011 – p.7-8	\$0	\$29,336,040	\$58,936,235	\$277,442,721
<u>#Costs</u> – increase in SPED multiplier - §163.011 – p.7-8	\$0	\$24,616,491	\$24,616,491	\$24,616,491
<u>Revenue Gain</u> - from the Teacher Baseline Salary				

Grant Fund for Teacher Salary Grants at 70% of the cost - §163.172 – p.8-9	\$0 to Less than \$22,865,822	\$0 to Less than \$27,987,766	\$0 to Less than \$28,547,521	\$0 to Could exceed \$28,547,521
<u>Costs</u> - School Districts - for teacher salary increases - §163.172 – p. 8-9	Less than (\$32,665,460)	Less than (\$39,982,523)	Less than (\$40,782,174)	Could exceed (\$40,782,174)
<u>Costs</u> - differentiated placement of hard-to-staff teachers on the salary schedule - §168.110 - p.9	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost Avoidance</u> - reduction in actuarially determined contributions - §169.070 - p.12-13	\$0	\$0 to \$10,400,000	\$0 to \$10,400,000	\$0 to \$10,400,000
<u>Costs</u> - materials, assessments and teacher time to implement cursive writing - §170.025 p.14	(Less than \$2,739,933)	(Less than \$2,739,933)	(Less than \$2,739,933)	(Less than \$2,739,933)
<u>Costs</u> - to offer a one-half unit of credit for personal finance - §170.281 - p.14-15	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
#ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	Less than (\$35,405,393 to \$12,539,571)	Less than \$11,230,075 to \$49,614,841	Less than \$40,030,619 to \$78,978,140	Less than \$258,537,105 to \$297,484,626

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This proposal modifies provisions relating to public schools.

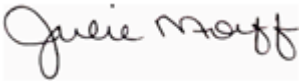
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

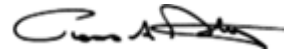
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Commerce and Insurance
Department of Health and Senior Services
Department of Mental Health
Department of Corrections
Department of Labor and Industrial Relations
Department of Public Safety
 Director's Office
 Missouri Highway Patrol
 State Emergency Management Agency
Department of Social Services
Missouri Department of Agriculture
Missouri Department of Transportation
Missouri National Guard
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Office of the State Auditor
Missouri Office of Prosecution Services
Missouri Lottery
Public Schools and Education Employee Retirement Systems
Phelps County Sheriff
Branson Police Department
Kansas City Police Department
St. Louis County Police Department
Phelps County Sheriff Department

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Sikeston R-6 School District
Gordon Parks Elementary Charter School
Maries County R-1 School District
Bowling Green R-1 School District
Fordland R-III School District
High Point R-III School District
Shell Knob 78 School District
Springfield Public Schools



Julie Morff
Director
April 11, 2023



Ross Strobe
Assistant Director
April 11, 2023