

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3246H.011  
 Bill No.: HB 1447  
 Subject: Department of Higher Education and Workforce Development; Teachers;  
 Department of Elementary and Secondary Education  
 Type: Original  
 Date: February 6, 2024

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
General Revenue*	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$20,013,259)	\$0 or (Could exceed \$21,233,159)	\$0 or (Could exceed \$6,433,044)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Could exceed \$2,144,348)</b>	<b>\$0 or (Could exceed \$20,013,259)</b>	<b>\$0 or (Could exceed \$21,233,159)</b>	<b>\$0 or (Could exceed \$6,433,044)</b>

\*Current FY 2025 appropriation request (2.020) for \$23,831,690 would help pay for 70% of the cost to increase teachers' starting salary to \$38,000. Oversight will range the fiscal impact of this bill from \$0 (no further state appropriations to help pay for the increase – all borne by school districts) to a continued state appropriation for 70% of the cost for the teacher pay increases (local school districts would pay the other 30%).

\* 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".

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
Teacher Baseline Salary Grant Fund*	\$0	\$0	\$0	\$0
Teacher Recruitment and Retention State Scholarship Program Fund**	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on <u>Other State Funds</u></b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

\*Transfers in and distributions net to zero.

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

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
<b>Total Estimated Net Effect on <u>All Federal Funds</u></b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>(Unknown, Could exceed \$6,647,108) or Up to (\$22,157,236)</b>	<b>(Unknown, Could exceed \$6,986,211) or Up to (\$23,287,370)</b>	<b>Could exceed (\$30,006,085)</b>

\*Ranged from 30% (state kicks in 70%) to 100% of the cost for educator salary increases.

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 163.172 – Baseline Teacher Salary Grants Program

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the Teacher Baseline Salary Grant program (163.172.6) for the 2023-24 school year is providing grant funds for 4,806 teachers from 317 school districts to receive a salary of \$38,000. The current FY 2025 department request is \$23,831,690 for this program. This appropriation would be sufficient to meet the requirements in this section.

In response to a similar proposal, HB 1431 (2024), officials from the **DESE** stated DESE currently oversees the Teacher Baseline Salary Grant Program as authorized in section 2.020 of HB 2. The minimum salary for Missouri teachers at \$38,000 (163.172.1(2)) will impact 4,931 teachers from 366 school districts. The total cost would be \$16,613,916 + \$2,658,227 for benefits (16%) = \$19,272,143.

\*DESE currently has an appropriation for Teacher Baseline Salary Grants. The FY 25 request for funding is for \$23,831,690 which would fund this portion of the legislation.

Additional funding would be required to provide grants to raise the minimum salaries of Missouri teachers with a master's degree and at least ten years teaching experience:

Minimum salary for Missouri teachers with a master's degree and at least ten years' teaching experience.

In 2025-26, a salary of \$44,000 would impact 906 teachers from 272 school districts (163.172.1(4)(a)). The total cost would be \$2,487,227 + \$397,956 for benefits (16%) = \$2,885,183. This cost would be absorbed by the FY 2025 appropriation request.

In 2026-27, a salary of \$45,000 would impact 1,223 teachers from 326 school districts (163.172.1(4)(b)). The total cost would be \$3,461,402 + \$553,825 for benefits (16%) = \$4,015,227. A portion of this cost would be absorbed by the FY 2025 appropriation request with an additional \$2,340,863 needed.

In 2027-28, a salary of \$46,000 would impact 1,603 teachers from 362 school districts (163.172.1(4)(c)). The total cost would be \$4,978,994.65 + \$796,639.14 for benefits (16%) = \$5,775,633.79.

**Oversight** notes upon further inquiry with DESE, the minimum salary for Missouri teachers with a master's degree and at least ten years' teaching experience would be:

In 2028-29, a salary of \$47,000 would impact 2,015 teachers from 394 school districts. The total cost would be \$6,792,725.19 + \$1,086,836.03 for benefits (16%) = \$7,879,561.22.

In 2029-30, a salary of \$48,000 would impact 2,543 teachers from 430 school districts. The total cost would be \$9,071,958.88 + \$1,451,513.42 for benefits (16%) = \$10,523,472.30.

In 2030-31, a salary of \$48,000 + 2% COLA the total cost would be \$9,253,398.06 + \$1,480,543.69 for benefits (16%) = \$10,733,941.75.

**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. School districts and charter schools must apply for state funding and provide a local match of 30%. As of July 2023, DESE had approved 316 grant applications from school districts. DESE has requested funding for FY 2025 to raise salaries to \$38,000 plus an increase for related benefit costs for a total request of \$23,831,690 (per DESE's Budget Request for FY 2025).

**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. Section 163.172.10 states subsections 8 and 9 of this section shall expire on December 31, 2028.

**Oversight** will show a potential range of impact to General Revenue of \$0 (no appropriation) up to 70% of the cost estimated by DESE (assuming a 2% inflation rate) transferring to the Teacher Baseline Salary Grant Fund. This cost includes the minimum salary increase of \$19,272,143 for each year with the added minimum salary increase for Missouri teachers with a master's degree and at least ten years' teaching experience. Therefore, FY 2025 total cost is **\$15,510,128** ( $(\$19,272,143 + \$2,885,183) * 70\%$ ), FY 2026 is **\$16,301,159** ( $(\$19,272,143 + \$4,015,227) * 70\%$ ), FY 2027 is **\$17,533,443** ( $(\$19,272,143 + \$5,775,633) * 70\%$ ) and FY 2031 is **\$0** as the grant program expires on December 31, 2028.

**Oversight** will show a range of impact to school districts for 30% of the cost up to the full cost if no money is appropriated by the general assembly. FY 2031 will reflect the full cost of minimum salary increase for teachers as the schools will no longer be able to apply to the grant program due to expiration on December 31, 2028.

#### 168.110 - Differentiated Placement on Salary Schedule

In response to a similar proposal, HCS for HB 497 (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 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).

Section 173.232 – Urban Flight and Rural Needs Scholarship Program

Officials from **DESE** state the average cost of tuition and fees in Missouri public institutions was \$10,721.74 in the 2020-2021 academic year. Based on this average, the department prepared the following estimates based on the number of scholarships.

The maximum number of scholarships made available under this section shall be as follows:

For academic years ending before July 1, 2025, one hundred (173.232.2(1)) - \$1,072,174

For the 2024-25 academic year two hundred (173.232.2(2)) - \$2,144,200

For the 2025-26 academic year two hundred twenty (173.232.2(3)) - \$2,358,620

For the 2026-27 academic year two forty (173.232.2(4))- \$2,573,040

For the 2027-28 academic year two sixty (173.232.2(5))- \$2,787,460

For the 2028-29 academic year two eighty (173.232.2(6)) - \$3,001,880

For the 2029-30 academic year and all subsequent academic years, three hundred (173.232.2(7)) \$3,216,330

Department of Elementary and Secondary Education (DESE) believes current staffing would be available to process and oversee both grant programs. However, if multiple pieces of legislation are passed with additional requirements DESE will seek additional FTE 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 on HCS for HB 497 (2023), 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	\$2,144,348 (200 x \$10,721.74)
2025-26	420	\$4,503,131
2026-27	460	\$4,932,000
2027-28	500	\$5,360,870
2028-29	540	\$5,789,740
2029-30	580	\$6,218,609
2030-31	600	\$6,433,044

**Oversight** notes if costs increase, the total cost of the scholarship program may also increase. Scholarships will only be awarded based upon appropriation. Oversight will show a range of impact of \$0 (no scholarships issued or no funds appropriated) up to the cost that could exceed the cost for the maximum number of scholarships allowed.

Responses regarding the proposed legislation as a whole

Officials from the **Office of the State Treasurer** assume the proposal will 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 this organization.

Officials from the **Henry County R-1 School District** assume the proposal will have no fiscal impact on their organization.

**Oversight** received limited 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
<b>GENERAL REVENUE</b>				
<u>Transfer Out - DESE - teacher salary increases if funded through the Teacher Salary Grants at 70% of the cost - §163.172</u>	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0
<u>Costs - DESE - transfer out to the Teacher Recruitment and Retention State Scholarship Program Fund increase in maximum allowed scholarships - §173.232</u>	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$4,503,131)	\$0 or (Could exceed \$4,932,000)	\$0 or (Could exceed \$6,433,044)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (Could exceed \$2,144,348)</b>	<b>\$0 or (Could exceed \$20,013,259)</b>	<b>\$0 or (Could exceed \$21,233,159)</b>	<b>\$0 or (Could exceed \$6,433,044)</b>
<b>TEACHER BASELINE SALARY GRANT FUND</b>				
<u>Transfer In – from General Revenue – §163.172</u>	\$0	\$0 or Up to \$15,510,128	\$0 or Up to \$16,301,159	\$0
<u>Transfer Out – to School Districts - §163.172</u>	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0
<b>ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
<b>TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND</b>				
<u>Transfer In – from General Revenue - §173.232</u>	\$0 or Could exceed \$2,144,348	\$0 or Could exceed \$4,503,131	\$0 or Could exceed \$4,932,000	\$0 or Could exceed \$6,433,044
<u>Costs - scholarships awarded - §173.232</u>	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$4,503,131)	\$0 or (Could exceed \$4,932,000)	\$0 or (Could exceed \$6,433,044)
<u>Income - Principal and Interest payments rec'd – from scholarships converted to loans - §173.232</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income – sale proceeds – from scholarships converted to loans &amp; sold to MOHELA - §173.232</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
<b>SCHOOL DISTRICTS</b>				
<u>Revenue Gain</u> - from the Teacher Baseline Salary Grant Fund for Teacher Salary Grants at 70% of the cost - §163.172	\$0	\$0 or Up to \$15,510,128	\$0 or Up to \$16,301,159	\$0
<u>Costs</u> - School Districts - for teacher salary increases - §163.172	\$0	(\$22,157,236)	(\$23,287,370)	(\$30,006,085)
<u>Costs</u> - differentiated placement of hard-to-staff teachers on the salary schedule - §168.110	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b>\$0 to (Unknown)</b>	<b>(Unknown, Could exceed \$6,647,108) or Up to (\$22,157,236)</b>	<b>(Unknown, Could exceed \$6,986,211) or Up to (\$23,287,370)</b>	<b>Could exceed (\$30,006,085)</b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The current minimum teacher salary is \$25,000 and for those teachers with a Master's Degree and 10 years of experience the minimum is \$33,000. This bill raises the minimum in the 2025-26 school year to \$38,000. For a teacher with a Master's Degree and 10 years of experience the minimum is raised to \$44,000 with increases each year until the 2029-30 school year when the minimum shall be \$48,000.

Beginning in the 2026-27 school year and in all subsequent years the minimum teacher salary base will be adjusted annually by a calculated percentage increase in inflation, as outlined in the bill, and in similar manner beginning in the 2030-31 school year for any teacher with a master's

degree and at least 10 years of experience. The State Board of Education shall publish the calculated minimum salaries beginning January 1, 2026.

The bill creates a "Teacher Baseline Salary Grant Fund" to be used for the 2025-26, 2026-27, and the 2027-28 school years to assist school districts with a grant from the Department of Elementary and Secondary Education to increase the districts minimum teacher salary to the required level. The grant would provide 70% of the necessary funds to increase the districts minimum salary, and the grant fund and grants will expire on December 31, 2028(Section 163.172 RSMo).

This bill modifies the existing "Urban Flight and Rural Needs Scholarship Program" by changing the name to the "Teacher Recruitment and Retention State Scholarship Program".

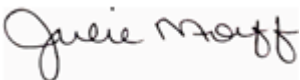
The corresponding state treasury fund is also renamed accordingly. Additional provisions of the existing program are modified including increasing the maximum number of two-year scholarships from 100 in the 2025 academic year to 300 such scholarships by the 2030-31 school term. Scholarships for 100% of eligible tuition and fees are to be awarded to "eligible students" as defined in the bill who agree to teach in "hard-to-staff schools" or "hard-to staff subject areas" for two years for every year the scholarship is received.

The repayment rate of the scholarships for a failure to fulfill the agreement is set forth in the bill as 1% over the prevailing prime rate in effect on January 1st of the year the student is ineligible, with annual adjustments (Section 173.232).

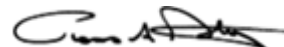
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Office of the State Treasurer  
Henry County R-1 School District



Julie Morff  
Director  
February 6, 2024



Ross Strobe  
Assistant Director  
February 6, 2024