

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3246H.03C  
 Bill No.: HCS for HB 1447  
 Subject: Department of Higher Education and Workforce Development; Teachers;  
 Department of Elementary and Secondary Education  
 Type: Original  
 Date: February 20, 2024

Bill Summary: This proposal modifies provisions governing teacher recruitment and retention.

**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 (Up to \$1,200,000)	\$0 or (Up to \$24,557,326)	\$0 or Up to \$25,887,369)	More or Less than (\$30,770,382)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Up to \$1,200,000)</b>	<b>\$0 or (Up to \$24,557,326)</b>	<b>\$0 or Up to \$25,887,369)</b>	<b>More or Less than (\$30,770,382)</b>

\*Current FY 2025 appropriation request (2.020) for \$23,831,690 would help pay for 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 of the cost for the teacher pay increases.

\* 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 \$22,157,236)</b>	<b>(Unknown, Could exceed \$23,287,369)</b>	<b>More or Less than (\$27,370,382)</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

Officials from the **Department of Elementary and Secondary Education (DESE)** state 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**.

NOTE: DESE currently provides 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.

Section 163.172.1(4) would make changes to the 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:  
 $\$2,487,226.58 + \$397,956.25$  for benefits (16%) = **\$2,885,182.83**

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:  
 $\$3,461,402.00 + \$553,824.32$  for benefits (16%) = **\$4,015,226.32**

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**

The total cost of all salary adjustments is \$36,507,732.76

The Consumer Price Index (CPI) (163.172.2) for January 2024 is 3.1%. Assuming the CPI remains constant DESE would apply a 3% increase for 2028-29 and subsequent years.

In 2028-29,  
 $\$5,775,633.79 + \$173,269.01$  (3% CPI) =  $\$5,948,902.80 + \$951,824.45$  (16% payroll benefits) = **\$6,900,727.25**

In 2029-30,  
 $\$6,900,727.25 + \$207,021.82$  (3% CPI) =  $\$7,107,749.07 + 1,137,239.85$  (16% payroll benefits) = **\$8,244,988.92**

In 2030-31,  
 $\$8,244,988.92 + \$247,349.67 (3\% \text{ CPI}) = \$8,492,338.59 + \$1,358,774.17 = \mathbf{\$9,851,112.76}$

**Oversight** assumes this proposal requires school districts to raise teacher salaries to the proposed minimum levels. Oversight assumes this would be a potential cost to the school districts. School districts and charter schools must apply for state funding. 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.

**Oversight** has calculated the fiscal impact in the below table with data provided from DESE:

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
<b>Base Salary</b>	16,613,916	16,613,916	16,613,916	17,112,333	17,625,703	18,154,475
<b>Base Benefits (16% of Salary)</b>	2,658,227	2,658,227	2,658,227	2,737,973	2,820,113	2,904,716
<b>Subtotal</b>	<b><u>19,272,143</u></b>	<b><u>19,272,143</u></b>	<b><u>19,272,143</u></b>	<b><u>19,850,307</u></b>	<b><u>20,445,816</u></b>	<b><u>21,059,191</u></b>
<b>Masters 10+ Salary</b>	2,487,227	3,461,402	4,978,995	5,128,364	5,282,215	5,440,682
<b>Masters 10+ Benefits (16% of Salary)</b>	397,956	553,824	796,639	820,538	845,154	870,509
<b>Subtotal</b>	<b><u>2,885,183</u></b>	<b><u>4,015,226</u></b>	<b><u>5,775,634</u></b>	<b><u>5,948,903</u></b>	<b><u>6,127,370</u></b>	<b><u>6,311,191</u></b>
<b>Total</b>	<b><u>22,157,326</u></b>	<b><u>23,287,369</u></b>	<b><u>25,047,777</u></b>	<b><u>25,799,210</u></b>	<b><u>26,573,186</u></b>	<b><u>27,370,382</u></b>

**Oversight** will show a potential range of impact to General Revenue of \$0 (no appropriation) up to the cost estimated in the above table transferring to the Teacher Baseline Salary Grant Fund. This cost includes the minimum salary increase for Missouri teachers to reach \$38,000, the added minimum salary increases for Missouri teachers with a master’s degree and at least ten years’ teaching experience, as well as the 3% CPI adjustment starting in FY 2029. Therefore, FY 2026 total cost is **\$22,157,326** (\$19,272,143 + \$2,885,183), FY 2027 is **\$23,287,369** (\$19,272,143 + \$4,015,226), and FY 2031 is **\$27,370,382** (\$21,059,191 + \$6,311,191).

**Oversight** will show an impact to school districts up to the full cost if no money is appropriated by the general assembly.

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** assume would establish the Teacher Recruitment & Retention State Scholarship Program.

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. DESE expects the maximum number of scholarships would be issued annually.

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

For academic years ending before July 1, 2025, two hundred scholarships (173.232.2(1))  
\$1,200,000  
For the 2025-26 academic year four hundred scholarships (173.232.2(2))  
\$2,400,000  
For the 2026-27 academic year four hundred forty scholarships (173.232.2(3))  
\$2,600,000  
For the 2027-28 academic year four hundred eighty scholarships (173.232.2(4))  
\$2,800,000  
For the 2028-29 academic year five hundred twenty scholarships (173.232.2(5))  
\$3,000,000  
For the 2029-30 academic year five hundred sixty scholarships (173.232.2(6))  
\$3,200,000  
For the 2030-31 academic year and all subsequent academic years, six hundred scholarships (173.232.2(7))  
\$3,400,000

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 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 for the maximum awarded amount for each fiscal year as estimated by DESE.

#### Responses regarding the proposed legislation as a whole

Officials from the **Department of Higher Education and Workforce Development** and the **Office of the State Treasurer** each 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 **University of Central Missouri** assume the proposal will have an indeterminate fiscal impact. Possible increase in revenue due to the expansion of the scholarship fund.

In response to a previous version, officials from the **Henry County R-1 School District** assumed 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 - §163.172</u>	\$0	\$0 or Up to (\$22,157,326)	\$0 or Up to (\$23,287,369)	\$0 or More or Less than (\$27,370,382)
<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 (Up to \$1,200,000)	\$0 or (Up to \$2,400,000)	\$0 or (Up to \$2,600,000)	\$0 or (Up to \$3,400,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (Up to \$1,200,000)</b>	<b>\$0 or (Up to \$24,557,326)</b>	<b>\$0 or Up to \$25,887,369)</b>	<b>More or Less than (\$30,770,382)</b>
<b>TEACHER BASELINE SALARY GRANT FUND</b>				
<u>Transfer In – from General Revenue – §163.172</u>	\$0	\$0 or Up to \$22,157,236	\$0 or Up to \$23,287,369	\$0 or More or Less than \$27,370,382
<u>Transfer Out – to School Districts - §163.172</u>	\$0	\$0 or up to (\$22,157,236)	\$0 or up to (\$23,287,369)	\$0 or More or Less than (\$27,370,382)
<b>ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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</u> – from General Revenue - §173.232	\$0 or Up to \$1,200,000	\$0 or Up to \$2,400,000	\$0 or Up to \$2,600,000	\$0 or Up to \$3,400,000
<u>Costs</u> - scholarships awarded - §173.232	\$0 or (Up to \$1,200,000)	\$0 or (Up to \$2,400,000)	\$0 or (Up to \$2,600,000)	\$0 or (Up to \$3,400,000)
<u>Income</u> - Principal and Interest payments rec'd – from scholarships converted to loans - §173.232	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> – sale proceeds – from scholarships converted to loans & sold to MOHELA - §173.232	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</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 - §163.172	\$0	\$0 or Up to \$22,157,236	\$0 or Up to \$23,287,369	\$0 or More or Less than \$27,370,382

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
<u>Costs - School Districts - for teacher salary increases - §163.172</u>	\$0	(\$22,157,236)	(\$23,287,369)	More or Less than (\$27,370,382)
<u>Costs - differentiated placement of hard-to-staff teachers on the salary schedule - §168.110</u>	\$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 \$22,157,236)</b>	<b>(Unknown, Could exceed \$23,287,369)</b>	<b>More or Less than (\$27,370,382)</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 2027-28 school year when the minimum shall be \$46,000.

Beginning in the 2028-29 school year and in all subsequent years the minimum teacher salary base will be adjusted annually by a calculated percentage increase in inflation, not to exceed 3% as outlined in the bill. The State Board of Education shall publish the calculated minimum salaries beginning February 2026.

The bill creates a "Teacher Baseline Salary Grant Fund" 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 will be necessary funds used to increase the districts minimum salary. (Section 163.172 RSMo).

The bill removes the requirement that salary schedules adopted by a district's board of education apply to all teachers in the district and allows school boards to include differentiated placement of teachers on the salary schedule for hard-to-staff subject areas and hard-to-staff schools. Districts may annually review and modify hard-to-staff subject areas and schools, as defined in

the bill, and are prohibited from placement of any teacher on a schedule that would result in a salary demotion.

The bill modifies the "Missouri Professional Teacher and Administrator Act" by removing the requirement that prospective teacher education students pass an entry-level test with a satisfactory rating before being admitted into a university or college teaching program.

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 200 in the 2025 academic year to 600 such scholarships by the 2030-31 school term.

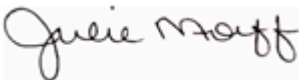
Scholarships for 100% of eligible tuition and fees are to be awarded to "eligible students" as defined in the bill for up to two years. Students must agree to teach in "hard-to-staff schools" or "hard-to-staff subject areas" for two years for every year the scholarship is received.

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  
Department of Higher Education and Workforce Development  
Office of the State Treasurer  
Henry County R-1 School District



Julie Morff  
Director  
February 20, 2024



Ross Strobe  
Assistant Director  
February 20, 2024