

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3742H.011
Bill No.: HB 1431
Subject: Department of Elementary and Secondary Education; Elementary and Secondary;
Teachers
Type: Original
Date: February 6, 2024

Bill Summary: This proposal establishes minimum teacher's salaries and provides grant moneys to assist school districts with increasing teacher salaries.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
General Revenue*	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0 or Up to (\$17,533,443)
Total Estimated Net Effect on General Revenue	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0 or Up to (\$17,533,443)

*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%).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Teacher Baseline Salary Grant Fund*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

*Transfers in and distributions net to zero.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
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 2025	FY 2026	FY 2027	Fully Implemented (FY 2028)
Local Government*	\$0	(\$6,647,108) or Up to (\$22,157,236)	(\$6,986,211) or Up to (\$23,287,370)	(\$7,514,333) or Up to (\$25,047,776)

*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)** 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**.

*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%) = **\$5,775,634**.

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.

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 the 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 163.172.8 states subsections 6 and 7 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 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** ($(\$19,272,143 + \$5,775,633) * 70\%$).

Oversight will show a range of impact to school districts for 30% of the cost up to the full expense - if no money is appropriated by the general assembly.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
GENERAL REVENUE				
<u>Transfer Out</u> - DESE - teacher salary increases if funded through the 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 or Up to (\$17,533,443)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0 or Up to (\$17,533,443)
TEACHER BASELINE SALARY GRANT FUND				
<u>Transfer In</u> – from General Revenue – §163.172	\$0	\$0 or Up to \$15,510,128	\$0 or Up to \$16,301,159	\$0 or Up to \$17,533,443
<u>Transfer Out</u> – to School Districts - §163.172	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,301,159)	\$0 or Up to (\$17,533,443)
ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2028)
SCHOOL DISTRICTS				
<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 or Up to \$17,533,443
<u>Costs</u> - School Districts - for teacher salary increases - §163.172	\$0	(\$22,157,236)	(\$23,287,370)	(\$25,047,776)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0	(\$6,647,108) or Up to (\$22,157,236)	(\$6,986,211) or Up to (\$23,287,370)	(\$7,514,333) or Up to (\$25,047,776)

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 a minimum of \$38,000. For a teacher with a Master's Degree and 10 years of experience these minimums are raised to \$44,000 and increase to \$46,000 by the 2027-28 school year.

The bill creates the "Teacher Baseline Salary Grant Fund" and the "Teacher Baseline Salary Grant" program, with the purpose of providing a 70/30 matching grant to school districts. Beginning in the 2025-26 school year through June 30, 2028, districts may apply to the Department of Elementary and Secondary Education for grants to increase minimum teacher salaries.

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

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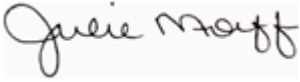
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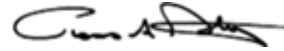
February 6, 2024

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the State Treasurer



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February 6, 2024



Ross Strobe
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February 6, 2024