

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0419H.02I
 Bill No.: HB 607
 Subject: Education, Elementary and Secondary; Teachers; Department of Elementary and Secondary Education
 Type: Original
 Date: February 3, 2025

Bill Summary: This proposal changes teacher salary provisions and the Teacher Baseline Salary Grant Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	More or less than \$14,876,716
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	More or less than \$14,876,716

* **Oversight** notes this proposal delays increases to the minimum salaries due to inflation from starting in FY 2029 until 2030-31 (FY2031) school year. Oversight assumes this would be a potential savings. Therefore, Oversight will note the savings of \$866,605 for FY 2029 and \$1,759,208 for FY 2030 to general revenue and the school districts which will exceed the \$250,000 threshold. **This savings is not reflected in the tables due to the fiscal note being fully implemented in FY 2031.**

** Oversight notes section 163.172 states that moneys granted to a school district under this subsection shall not exceed fifty percent of the necessary amount to increase minimum salaries. Due to this limitation the other fifty percent has been passed onto the school districts unless they expend their whole Classroom Trust fund. Therefore, by adding a cap of fifty percent to the Teacher Baseline Salary Grants, savings to general revenue will exceed the \$250,000 threshold.

***There is the potential that some schools will become eligible for additional (1% up to 2%) state aid payments that otherwise would not have been eligible. Oversight assumes this cost would not exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
Teacher Baseline Salary Grant Fund*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

*Oversight notes the Fund nets to zero

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
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 2026	FY 2027	FY 2028	Fully Implemented (FY2031)
Local Government*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	More or less than (\$14,876,716)

* **Oversight** notes this proposal delays increases to the minimum salaries due to inflation from starting in FY 2029 until 2030-31 (FY2031) school year. Oversight assumes this would be a potential savings. Therefore, Oversight will note the savings of \$866,605 for FY 2029 and \$1,759,208 for FY 2030 to school districts. **This savings is not reflected in the tables due to the fiscal note being fully implemented in FY 2031.**

** Oversight notes section 163.172 states that moneys granted to a school district under this subsection shall not exceed fifty percent of the necessary amount to increase minimum salaries. Due to this limitation the other fifty percent has been passed onto the school districts unless they expend their whole Classroom Trust fund.

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). 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 163.045 - Additional funding to school districts with 169 day school calendar

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this section of the proposal will have no fiscal impact on their organization.

In addition, DESE provided the Department does not collect final calendars till the school year is complete, so based upon the School Year (SY) 2024 actual calendar only 49 school districts had calendars for all students claimed for state aid of 169 days or more. Please note, many LEA's are reviewing their SY 2025 calendars and considering adjustments based upon their LEA's specific benefit if they ensure calendars for all students claimed for state aid equal or exceed 169 days. DESE expects these numbers to fluctuate as schools make decisions and changes to their calendars.

Oversight notes Section 163.045 clarifies language relating to additional funding for teacher salaries that districts receive if the district has a school calendar with 169 school days. The clarification provided allows for inclement weather or authorized reductions to the number of days the district must be in session to qualify for the funding

Oversight has no way to determine how many schools will adjust their school calendar to a 169 day or more school term to obtain additional funding. There is potential that more schools will become eligible for the amount equal to one percent for fiscal years 2026 and 2027, or two percent for fiscal year 2028 and all subsequent fiscal years, of each district's preceding year's annual state aid entitlement moving forward. Therefore, Oversight will reflect a \$0 or Unknown cost to GR, as well as a \$0 to Unknown gain to school districts in the fiscal note.

Section 163.172 - Baseline Teacher Salary

Officials from **DESE** assume section 163.172 would change the original estimate for Teacher Baseline Salary Grants used in 2024 for SB 727. The CPI increase for Less than Master + 10 Teachers would not go into effect until 2030-31 postponing the need for an increase one fiscal year. It would also postpone the CPI increase for Master's + 10 salaries until 2030-31, postponing the needed increase there as well. The estimates are based on current eligible districts and teachers. As districts adjust their salary schedules these estimates will change annually.

DESE provided the tables below showing the cost for the total salaries with the new implementation dates:

Less than Master +10 Teachers	#/% of Districts	# of Teachers	Amount to Raise	16% add for benefits	Total	Fiscal Year
\$ 40,000	436/78.1%	5,474	\$23,256,562	\$3,721,050	\$26,977,612	2026
\$ 40,000	436/78.1%	5,474	\$23,256,562	\$3,721,050	\$26,977,612	2027
\$ 40,000	436/78.1%	5,474	\$23,256,562	\$3,721,050	\$26,977,612	2028
\$ 40,000	436/78.1%	5,474	\$23,256,562	\$3,721,050	\$26,977,612	2029
\$ 40,000	436/78.1%	5,474	\$23,256,562	\$3,721,050	\$26,977,612	2030
Raise to \$40,800	476/85.3%	6,596	\$5,284,357	\$845,497	\$33,107,466	2031
Raise to \$41,616	493/88.4%	7,664	\$6,271,026	\$1,003,364	\$34,252,003	2032
Raise to \$42,448	505/90.5%	8,770	\$7,326,581	\$1,172,253	\$35,476,446	2033
Raise to \$43,297	516/92.5%	10,144	\$8,651,312	\$1,384,210	\$37,013,134	2034
Raise to \$44,163	525/94.1%	11,646	\$10,138,102	\$1,622,096	\$38,737,811	2035

Master +10 Teachers	#/% of Districts	# of Teachers	Amount to Raise	16% add for benefits	Total	Fiscal Year
Raise to \$46,000	290/52.0%	1,103	\$3,746,477	\$599,436	\$4,345,914	2026
Raise to \$47,000	335/60.0%	1,442	\$1,282,092	\$205,135	\$5,833,141	2027
Raise to \$48,000	372/66.7%	1,818	\$1,645,874	\$263,340	\$7,742,354	2028
Raise to \$48,000	372/66.7%	1,818	\$1,645,874	\$263,340	\$7,742,354	2029
Raise to \$48,000	372/66.7%	1,818	\$1,645,874	\$263,340	\$7,742,354	2030
Raise to \$48,960	374/67.0%	1,847	\$1,773,120	\$283,699	\$9,799,173	2031
Raise to \$49,939	408/73.1%	2,285	\$2,233,396	\$357,343	\$10,333,094	2032
Raise to \$50,938	431/77.2%	2,774	\$2,761,655	\$441,865	\$10,945,874	2033
Raise to \$51,957	448/80.3%	3,351	\$3,398,637	\$543,782	\$11,684,773	2034
Raise to \$52,996	495/88.7%	4,804	\$4,977,761	\$796,442	\$13,516,557	2035

Oversight has calculated the fiscal impact in the table below with data provided from DESE to reflect a 3% CPI adjustment starting in FY 2031:

FY	Base Salary	Base Benefits (16% of Salary)	Subtotal	Masters 10+	Masters 10+ Benefits (16% of Salary)	Subtotal	Total
FY 2026	\$23,256,562	\$3,721,050	\$26,977,612	\$3,746,477	\$599,436	\$4,345,913	\$31,323,525
FY 2027	\$23,256,562	\$3,721,050	\$26,977,612	\$1,282,092	\$205,135	\$1,487,227	\$28,464,839
FY 2028	\$23,256,562	\$3,721,050	\$26,977,612	\$1,645,874	\$263,340	\$1,909,214	\$28,886,826
FY 2029	\$23,256,562	\$3,721,050	\$26,977,612	\$1,645,874	\$263,340	\$1,909,214	\$28,886,826
FY 2030	\$23,256,562	\$3,721,050	\$26,977,612	\$1,645,874	\$263,340	\$1,909,214	\$28,886,826
FY 2031	\$23,954,259	\$3,832,681	\$27,786,940	\$1,695,250	\$271,240	\$1,966,490	\$29,753,431
FY 2032	\$24,672,887	\$3,947,662	\$28,620,548	\$1,746,108	\$279,377	\$2,025,485	\$30,646,033
FY 2033	\$25,413,073	\$4,066,092	\$29,479,165	\$1,798,491	\$287,759	\$2,086,250	\$31,565,414
FY 2034	\$26,175,465	\$4,188,074	\$30,363,540	\$1,852,446	\$296,391	\$2,148,837	\$32,512,377
FY 2035	\$26,960,729	\$4,313,717	\$31,274,446	\$1,908,019	\$305,283	\$2,213,302	\$33,487,748

Oversight notes this proposal delays increases to the minimum salaries due to inflation from starting in FY 2029 until 2030-31 (FY2031) school year and only authorizes increases due to inflation through the 2034-35 (FY 3035) school year. Oversight assumes this would be a potential savings. Therefore, Oversight will note the savings of \$866,605 for FY 2029 and \$1,759,208 for FY 2030 to general revenue and the school districts.

Section 163.172.8(3)

Officials from **DESE** state in 2030-31 districts will be eligible for 50% of the funds needed to make these increases unless they use 100% of their Classroom Trust Funds on teacher salaries as described. DESE cannot estimate how many districts this could apply to. With today's estimates this would be a total annual cost as shown in the table below. DESE currently has an appropriation for Teacher Baseline Salary Grants of \$31,323,526 (FY26).

DESE provided the information below showing the 50% required to be paid by state:

Less than Master +10 Teachers	Total Annual Cost	50% Required by State	Fiscal Year
\$ 40,000	\$26,977,612	\$0	2026
\$ 40,000	\$26,977,612	\$0	2027
\$ 40,000	\$26,977,612	\$0	2028
\$ 40,000	\$26,977,612	\$0	2029
\$ 40,000	\$26,977,612	\$0	2030
Raise to \$40,800	\$33,107,466	\$16,553,733.13	2031
Raise to \$41,616	\$34,252,003	\$17,126,001.38	2032
Raise to \$42,448	\$35,476,446	\$17,738,223.15	2033
Raise to \$43,297	\$37,013,134	\$18,506,566.96	2034
Raise to \$44,163	\$38,737,811	\$19,368,905.56	2035

Master +10 Teachers	Total Annual Cost	50% Required by State	Fiscal Year
Raise to \$46,000	\$4,345,914	\$0	2026
Raise to \$47,000	\$5,833,141	\$0	2027
Raise to \$48,000	\$7,742,354	\$0	2028
Raise to \$48,000	\$7,742,354	\$0	2029
Raise to \$48,000	\$7,742,354	\$0	2030
Raise to \$48,960	\$9,799,173	\$4,899,586.68	2031
Raise to \$49,939	\$10,333,094	\$5,166,546.98	2032
Raise to \$50,938	\$10,945,874	\$5,472,936.99	2033
Raise to \$51,957	\$11,684,773	\$5,842,386.59	2034
Raise to \$52,996	\$13,516,557	\$6,758,278.70	2035

Oversight notes beginning in 2030-31 the proposal limits grants authorized under the "Teacher Baseline Salary Grant Program" to 50% of the amount necessary for a district to increase the minimum teacher's salaries to meet the threshold set. The remaining 50% must be spent by the district from the Classroom Trust Fund moneys unless the fund is expended and then the district may receive additional grant funding. The proposal adds an expiration to the grant program of June 30, 2035, unless the program is reauthorized.

Oversight notes based on our calculations with data provided by DESE for 50% of the amount necessary for a district to increase the minimum teacher's salaries to meet the threshold set would be as shown as follows:

Less than Master +10 Teachers	Total Annual Cost	50% State reimbursement	Fiscal Year
Raise to \$46,000	\$31,323,525	\$0	FY 2026
Raise to \$47,000	\$28,464,839	\$0	FY 2027
Raise to \$48,000	\$28,886,826	\$0	FY 2028
Raise to \$48,000	\$28,886,826	\$0	FY 2029
Raise to \$48,000	\$28,886,826	\$0	FY 2030
Raise to \$48,960	\$29,753,431	\$14,876,716	FY 2031
Raise to \$49,939	\$30,646,033	\$15,323,017	FY 2032
Raise to \$50,938	\$31,565,414	\$15,782,707	FY 2033
Raise to \$51,957	\$32,512,377	\$16,256,189	FY 2034
Raise to \$52,996	\$33,487,748	\$16,743,874	FY 2035

As this proposal limits the state grants to 50% of the cost, **Oversight** assumes this would be a savings to General Revenue of 50% of the cost of the salary increases. Therefore, Oversight will show a savings to General Revenue of \$14,876,716 beginning in FY 2031.

In addition, **Oversight** notes these grants are subject to appropriation and school districts can receive greater than 50% of cost in grants if the districts expend 100% of the money distributed from Classroom Trust fund for salary increases. Therefore, Oversight will show a savings that could be ‘More or Less Than’ the estimated savings to General Revenue.

Oversight assumes school districts would incur the additional cost to increase teacher salaries if the Teacher Baseline Salary Grants are limited to 50% of the cost. Therefore, Oversight will show a cost to school districts of \$14,876,716 beginning in FY 2031.

Bill as 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.

Officials from **Sedalia 200 School District** assume attaching teacher salaries to the CPI would result in the following for their school district based on FY 2024 final numbers:

- 1% increase would result in a budget increase of \$397,197
- 2% increase would result in a budget increase of \$794,395.
- 3% increase would result in a budget increase of \$1,191,592

These figures are of course on the low side because their FY 25 salaries have increased. Additionally, these increases over the years compound themselves. In years where the CPI might be much higher than average like they have seen since 2020 there would be no possible way to have enough revenue to cover the mandated costs of those increases.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2031)
GENERAL REVENUE				
<u>Savings</u> - DESE - teacher salary grant limitation of 50% - §163.172 p.8	\$0	\$0	\$0	More or less than \$14,876,716
<u>Costs</u> – DESE – additional funding for 169-day calendar to schools §163.045 p. 4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	More or less than \$14,876,716
TEACHER BASELINE SALARY GRANT FUND				
<u>Cost Avoidance</u> – from teacher salary grant limitation of 50% from General Revenue §163.172 p. 8	\$0	\$0	\$0	More or less than \$14,876,716
<u>Reduced Expenditure Transfer</u> – to School Districts from the teacher salary grant limitation of 50% - §163.172 p. 8	\$0	\$0	\$0	More or less than (\$14,876,716)
ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND	\$0	\$0	\$0	\$0

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2031)
PUBLIC SCHOOLS				
<u>Revenue Loss</u> – from the Teacher Baseline Salary Grant Fund - §163.172 – p. 8	\$0	\$0	\$0	More or less than (\$14,876,716)
<u>Savings</u> - Additional State Aid 163.045 p. 4	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON PUBLIC SCHOOLS	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	More or less than (\$14,876,716)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill clarifies language relating to additional funding for teacher salaries that districts receive if the district has a school calendar with 169 school days. The clarification provided allows for inclement weather or authorized reductions to the number of days the district must be in session to qualify for the funding (Section 163.045 RSMo).

The bill modifies the minimum teacher salary to remove the requirement that a teacher's master's degree must be in an academic teaching field directly related to the teacher's assignment. Additionally, the bill delays increases to the minimum salaries due to inflation until 2030 and only authorizes increases due to inflation from 2030 to 2035.

Beginning in 2030-31 the bill limits grants authorized under the "Teacher Baseline Salary Grant Program" to 50% of the amount necessary for a district to increase minimum teacher's salaries to meet the threshold set. The remaining 50% must be spent by the district from the Classroom Trust Fund moneys unless the fund is expended and then the district may receive additional grant funding.

The bill adds an expiration to the grant program of June 30, 2035 unless the program is reauthorized (Section 163.172).

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

L.R. No. 0419H.021

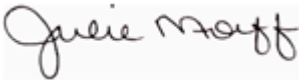
Bill No. HB 607

Page **11** of **11**

February 3, 2025

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the State Treasurer
Sedalia 200 School District



Julie Morff
Director
February 3, 2025



Jessica Harris
Assistant Director
February 3, 2025