COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0757H.02C
Bill No.: HCS for HB 267
Subject: Teachers; Dept. of Elementary and Secondary Education; Education, Elementary and Secondary; Department of Economic Development
Type: Original
Date: March 3, 2025

Bill Summary: This proposal modifies provisions governing teacher externships.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	**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
Local Government*	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**

*Potential costs for salary adjustments from credit earned on externships

FISCAL ANALYSIS

ASSUMPTION

§168.025 Teachers Externships

Oversight notes, with the proposal, HCS for HB 604 (2019), the DED and DESE created rules for the program regarding requirements for teacher externships to be considered equivalent to credit hours of graduate-level courses for salary schedules.

Oversight notes Section 163.172 outlined the minimum starting salary for a teacher of $25,000 and for teachers with master's degrees the minimum is $33,000. Should DED and DESE determine that externships be allowed to be substituted for graduate-level courses, Oversight assumed it was possible that teachers may move up their district's salary schedule quicker.

Oversight notes that according to the DESE Certified Externship: Information Guide
https://dese.mo.gov/media/pdf/occr-pathways-certified-educator-externship-experience

Requirements of the Externship Program are:

1. The externship participant is to spend a required total of 120 hours at the host industry site. This will equate to two (2) college graduate hours for possible advancement on the district's salary schedule. The site must be a prior district-approved location.

2. Complete the outlined requirements that include the following:
    a. Making daily journal/reflections (one page per day) during the experience;
    b. Developing a unit plan, lesson plan, presentation, or improvement plan for implementation that the educator will share with instructors, administrators, board of education, or any other group as specified by the participant's district at their direction.
    c. Evaluating the externship experience.
    d. Writing a thank you note to the host site.

3. Be punctual, appropriately dressed, and follow the host site instructions for working at the assigned facility.

4. Actively seek opportunities to learn about the company and to identify company resources that may be useful to students and colleagues.

Oversight notes according to the DESE statistics of Missouri Public School 2023-2024 there were 70,858 classroom teachers (the total potential includes some double counting of dual position holders).

Oversight will show this proposal could have a $0 (no change to salary schedules) to an unknown impact, on the school districts, for increased teacher salaries due to the continuation of the program, after the proposal was set to expire August 28, 2024.

Officials from the **Hume R-VIII School District** assume the proposal will have no fiscal impact on their organization.

In response to the similar proposal HCS for HB 462 (2019), officials at the **Raymore-Peculiar School District** assumed they have only had teachers participate in externships using the grant and that these externships are minimal time involvement. They noted that teachers can move laterally on the salary schedule for each 8 hours of graduate credit they have. Each 8 hours is worth about $700. If the hours lead to an advanced degree, the increase in salary is $2,500 annually per teacher.

In response to the similar proposal HCS for HB 462 (2019), officials at the **Columbia Public Schools** stated they have teachers that participate in externships in the local community and that those are done for 6-8 weeks in the summer months.

In response to the similar proposal, HCS for HB 462 (2019), officials at the **Belleview R-III School District** stated they can not afford to hire substitute teachers and pay a teacher, so they do not participate in externships.

In response to a similar proposal, HCS for HB 462 (2019), officials at the **Wellsville Middletown R-1 School District** do not have teachers that participate in externships.

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.

§168.036 - Granting Substitute Teacher Certificates

Officials from the **Public Education Employees' Retirement System (PSRS/PEERS)** note:

PSRS analysis:

PwC, the Systems actuary, estimates the impact of extending the suspension of limitations on working after retirement for part-time or temporary substitute teaching positions through June 30, 2030 to be **an insignificant fiscal impact** if retirement behavior remains unchanged. However, there would be a fiscal cost if there is a change in active member retirement behavior to retire earlier, resulting in fewer full-time teachers participating in, and contributing to, PSRS, and they continue to caution that the fiscal impact could be significant if the suspension of the limitations continues to be extended and effectively becomes a permanent provision.

PEERS analysis:

PwC, the Systems actuary, estimates the impact of extending the suspension of limitations on working after retirement for part-time or temporary substitute teaching positions through June 30, 2030 to be **an insignificant fiscal impact** to PEERS. However, they continue to caution that the fiscal impact could be significant if the suspension of the limitations continues to be extended and effectively becomes a permanent provision.

Additional Information:

In response to similar legislation from this year, HB 712, officials from **Public Education Employees' Retirement System (PSRS/PEERS)** assumed this bill, as currently drafted, extends the temporary provision allowing individuals who are receiving a retirement benefit from PSRS or PEERS to substitute teach on a part-time or temporary substitute basis in a covered school district without a discontinuance of the person's retirement benefit. The provisions in this bill only apply to part-time or temporary substitute teaching. As specified in this bill, if an individual chooses to work for a covered employer after retirement under this provision, they will not contribute to additional retirement benefits.

This provision was enacted in 2022 with an expiration of June 30, 2025. This bill extends the temporary provision through June 30, 2030.

The Systems have an actuary firm, PwC US (PwC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. As discussed in more detail below, the temporary suspension of the working after retirement limitations as proposed in this bill could have a fiscal impact on PSRS and PEERS.

Analysis of impact on PSRS

The 550-hour and 50% of compensation limitations applicable to retired PSRS members who return to work in substitute teaching positions is significantly less than half of the capacity worked by a fulltime teacher and therefore limits the work a rehired retiree can perform in a substitute teaching position without a suspension of their benefit. Suspending these limitations through June 30, 2030 could incentivize existing PSRS members to significantly change their retirement behavior and career planning. In addition, an extension of the working after retirement limits suspension would give employers a greater ability to replace full-time active employees with rehired retirees, allowing employers to save on the cost of contributions to PSRS (for part-time or temporary substitute teaching positions). Such behavior could have a significant impact on the cost of PSRS as earlier retirement by active members could increase the Actuarial Accrued Liability, and therefore the Unfunded Actuarial Accrued Liability, and result in a decrease in covered payroll which would increase the Actuarially Determined Contribution Rate.

However, this proposal does include some conditions that would limit the fiscal impact, including:

- The end date for suspension of the working after retirement limitations of June 30, 2030 would limit any changes in retirement behavior and any changes in employer hiring to a temporary period (absent further extensions).
- Retirees who return to work in substitute teaching positions would only be able to return on a part-time or temporary basis, not on a full-time basis.

In addition, current statistical data on retired PSRS members who have returned to work since the temporary suspension of the limits went into effect in 2022 has been reviewed. The COVID pandemic and other legislation affecting working after retirement make it difficult to conclude from the data whether retirement patterns have been affected by the current suspension. However, to date, it does not appear to indicate a significant change in retirement behavior by members or hiring practices by employers as the number of retirees working after retirement remains below pre-pandemic levels. However, there is a recent increase in the average hours worked and average earnings by retirees who have returned to work due to some rehired retirees working in a capacity that would have exceeded the limitations of RSMo 169.560 if not for the suspension of those limits for part-time or temporary substitute teaching in RSMo 168.036.

For the reasons noted above and discussed in the actuarial cost estimate, PwC estimates the impact of extending the suspension of limitations on working after retirement for part-time or temporary substitute teaching positions through June 30, 2030 to be **an insignificant fiscal impact if retirement behavior remains unchanged**. However, there would be a fiscal cost if there is a change in active member retirement behavior to retire earlier, resulting in fewer full-time teachers participating in, and contributing to, PSRS, and they continue to caution that the fiscal impact could be significant if the suspension of the limitations continues to be extended and effectively becomes a permanent provision.

Analysis of impact on PEERS

The 550-hour limitation applicable to retired PEERS members who return to work in substitute teaching positions is significantly less than half of the capacity worked by a full-time employee and therefore limits the work a rehired retiree can perform without a suspension of their benefit. Suspending these limitations through June 30, 2030 for part-time or temporary substitute teaching positions could incentivize existing PEERS members to significantly change their retirement behavior and career planning. In addition, an extension of the working after retirement limits suspension would give employers a greater ability to replace full-time active employees with rehired retirees, allowing employers to save on the cost of contributions to PEERS (for part-time or temporary substitute teaching positions). Such behavior could have a significant impact on the cost of PEERS as earlier retirement by active members could increase the Actuarial Accrued Liability, and therefore the Unfunded Actuarial Accrued Liability, and result in a decrease in covered payroll which would increase the Actuarially Determined Contribution Rate.

However, this proposal does include some conditions that would limit the fiscal impact, including:

- The end date for suspension of the working after retirement limitations of June 30, 2030 would limit any changes in retirement behavior and any changes in employer hiring to a temporary period (absent further extensions).
- Retirees who return to work in substitute teaching positions would only be able to return on a part-time or temporary basis, not on a full-time basis.
- The number of PEERS retirees who are certificated and eligible to fill substitute teaching positions has historically been very few.

In addition, current statistical data on retired PEERS members who have returned to work since the temporary suspension of the limits went into effect in 2022 has been reviewed. The COVID pandemic and other legislation affecting working after retirement make it difficult to conclude from the data whether retirement patterns have been affected. However, to date, it does not appear to indicate a significant change in retirement behavior by members or hiring practices by employers, or an increase in the number of PEERS retirees being hired to fill part-time or temporary substitute teaching positions.

For the reasons noted above and discussed in the actuarial cost estimate, PwC estimates the impact of extending the suspension of limitations on working after retirement for parttime or temporary substitute teaching positions through June 30, 2030 to be **an insignificant fiscal impact to PEERS**. However, they continue to caution that the fiscal impact could be significant if the suspension of the limitations continues to be extended and effectively becomes a permanent provision.

PSRS/PEERS provide retirement benefits to approximately 132,000 active members and over 110,000 retired Missouri public school teachers, school employees, and their families. The total invested assets of both PSRS and PEERS were $58.7 billion as of June 30, 2024.

Oversight notes this provision was enacted in 2022 with an expiration of June 30, 2025. This proposal extends the temporary provision through June 30, 2030. Therefore, Oversight assumes the temporary change will result in an insignificant fiscal impact to PSRS/PEERS and therefore, no impact to member employers.

Officials from the **Joint Committee on Public Employee Retirement** assume the provision will have no fiscal impact on their organization.

<u>Overall Bill:</u>

Officials from the **Department of Elementary and Secondary Education (DESE)** and the **Department of Economic Development (DED)** both assume the proposal will 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 both above organizations.

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.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
	$0	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL SCHOOL DISTRICTS			
Costs – §168.025 - Potential salary adjustments from credit earned on externships	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
NET EFFECT ON THE LOCAL SCHOOL DISTRICTS	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill repeals the sunset provision for the teacher externship program that was set to expire August 28th, 2024.

BB:LR:OD

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

<u>SOURCES OF INFORMATION</u>

Department of Elementary and Secondary Education
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Secretary of State
Joint Committee on Public Employee Retirement
Public Education Employees' Retirement System

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