

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1066H.02T
Bill No.: Truly Agreed To and Finally Passed HCS for HB Nos. 296 & 438
Subject: Transportation; Department of Revenue; Licenses - Driver's; Department of
Elementary and Secondary Education
Type: Original
Date: June 11, 2025

Bill Summary: This proposal modifies provisions relating to school bus endorsements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$45,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$45,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> 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 <u>All</u> 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	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§168.036 - Granting Substitute Teacher Certificates

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

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:

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 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.

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. 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.

§168.133 – Criminal Background Checks

Officials from the **Department of Elementary and Secondary Education** and **Missouri Highway Patrol** both assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

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.

Oversight notes this proposal adds charter schools to provisions of state law requiring background checks to be conducted on school personnel. The proposal requires background checks to be conducted not only on school bus drivers, but also on the drivers of other vehicles owned by school districts and charter schools. For drivers employed or contracted by a pupil transportation company that is under contract with a school district or charter school, the pupil transportation company shall conduct the criminal background check.

Oversight assumes a minimal amount of additional revenue will be collected into the Criminal Records Fund from additional background checks as a result of this proposal and will not reflect it in the fiscal note.

§§302.177, 302.272 & 302.735 – School Bus Endorsements

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

To implement the proposed legislation, the Department will be required to:

- Review rules and regulations and initiate changes through JCAR and SOS as applicable
- Develop project documentation development and oversight of project
- Work with FAST, the MVDL System vendor to develop requirements for changes to the MO driver license system (internally referred to as FUSION) and supporting changes to the integrated MSHP driver examination system.to incorporate new renewal terms for school bus endorsed license holders aged seventy to seventy-six and changing the mandatory age for an annual retest for school bus endorsement holder's issuance to those aged 77 and older
- Modify renewal notice edits and distribution for school bus endorsed
- Update policies for DOR Third Party test sites to define changes to testing procedures
- FAST complete changes and user testing for FUSION
- Update procedures, forms, and the Department website
- Update internal procedures
- Update the Missouri Driver Guide (on-line and printed versions)
- Update the Missouri CDL Manual
- Modify internal training programs and train staff

FY 2026 - Driver License Bureau

Research/Data Assistant 200 hrs. @ \$19.29 per hr. =\$3,858

Research/Data Analyst 240 hrs. @ \$28.75 per hr. =\$6,900

Administrative Manager 100 hrs. @ \$31.21 per hr. =\$3,121

Total = \$13,879

FY 2026 – Communications Office

Associate Research/Data Analyst 80 hrs. @ \$23.04 per hr. = \$1,843

Total Administrative Costs **\$15,722**

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect these administrative costs DOR has indicated on the fiscal note.

DOR notes, due to the significant change in testing requirements, additional cost may be incurred by DOR and MSHP to reprint the non-commercial driver guide and commercial driver license manual and destroy any unused outdated materials.

Currently MSHP incurs the cost for printing of the manuals. Potential loss is unknown and will be based on the number of printed manuals in stock at the time of distribution of the new manuals.

FUSION Impact

Vendor estimates approximately 200 hours for development, testing and implementation tasks.

$$\$225 \times 200 = \$45,000$$

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's FUSION costs on the fiscal note.

Revenue Impact

DOR notes, during FY 2024, there were 855 one-year commercial licenses with school bus endorsement issued that required skills testing for persons aged 70 and over. The fees are waived for applicants of this type today.

The change to allow persons aged seventy to seventy-four to be issued a two-year renewal may result in a minimal increase in transaction fees of less than \$6,000 annually.

Potential revenue increase:

$$285 \times \$20 \text{ per 3yr document} = \$5,700$$

The estimated increased revenue from the change in issuance term would be distributed to State Highway, Cities and Counties as follows:

75% to Highway Fund= \$4,275

15% to Cities = \$855

10% to Counties = \$570

There may be a minimal increase in revenue from branch office processing fees related to the change from an annual to a three-year processing fee for persons aged 70-74 years of age renewing a commercial license with school bus endorsement.

DOR notes this will result in a minimal decrease in CDL School bus endorsement fees due to changing the duration from annual to biennial for applicants 75 years of age and older. The annual issuance fee is \$7.50.

Oversight assumes the projected increase in revenue is not material; therefore, Oversight will not reflect the minimal increase to the state or to cities/counties.

Officials from the **Missouri Department of Transportation, Missouri Highway Patrol and Department of Elementary and Secondary Education** each 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 these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2026	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Cost – DOR – FUSION implementation</u>	<u>(\$45,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$45,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small license contract offices could be impacted as a result of this proposal.

FISCAL DESCRIPTION

RETIRED SUBSTITUTE TEACHERS (Section 168.036)

Currently, the limitations for members of the Public School Retirement System and the Public Education Employee Retirement Systems ("PSRS/PEERS") to work as a substitute teacher after retirement are waived until June 30, 2025. The bill waives such limitations until June 30, 2030.

BACKGROUND CHECKS (Section 168.133)

This bill requires background checks to be conducted not only on school bus drivers, but also on the drivers of other vehicles owned by school districts and charter schools. For drivers employed or contracted by a pupil transportation company that is under contract with a school district or charter school, the pupil transportation company must conduct the criminal background check.

Currently, school districts must ensure that criminal background checks are conducted for all screened volunteers and employees of the school district that are authorized to have contact with students. The bill extends the same requirements to charter schools and removes specific examples of such screened volunteers and employees.

SCHOOL BUS ENDORSEMENT DRIVERS LICENSE EXAMINATIONS (Sections 302.177, 302.272, and 302.735)

Currently, for persons 70 years and older who have school bus endorsements on their driver license, the license is issued or renewed for only one year at a time, the renewal fee is waived, the school bus portion of the driver license examination must be taken annually, and a commercial driver license with a school bus endorsement must be issued annually.

This bill changes the age for these specific provisions to age 75 or over. The bill also changes the annual requirements to biennial requirements.

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 Revenue
Missouri Highway Patrol
Department of Elementary and Secondary Education
Missouri Highway Patrol
Joint Committee on Public Employee Retirement
Public Education Employees' Retirement System



Julie Morff
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June 11, 2025



Jessica Harris
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June 11, 2025