

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2729-01
BILL NO.: HB 1224
SUBJECT: Education, Elementary and Secondary: Teachers
TYPE: Original
DATE: March 1, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(\$1,166,918)	(\$3,051,182)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission** assume the proposal would result in no fiscal impact to the agency.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Public School Retirement System and Non-Teacher School Employee Retirement System** assume the legislation would not affect the systems.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the increase in minimum salary requirements does not increase the Career Ladder cost. However, the Career Ladder supplement a teacher may receive cannot be used to meet the minimum salary requirement for that teacher.

A program will need to be written to identify the teachers in each category, the amount of salary supplement required, and the eligibility criteria for receiving the money. Therefore, DESE will incur an IT impact estimated to be \$25,000 in its first year, and 15% estimated maintenance costs for FYs 2002 and 2003. Additionally, OIT requires an 8% project development fee for the first year. The **Oversight Division** assumes DESE could absorb these costs with existing resources.

Using 1998-99 salary data (best available), the additional approximate cost for each new level was:

\$20,000	\$ 615,172 (614.54 FTE) X 10.5% retirement = \$679,765
\$21,000	\$1,783,021 (1,630.60 FTE) X 10.5% retirement = \$1,970,238

Masters+10

\$26,000	\$ 370,650 (282.39 FTE) X 10.5% retirement = \$409,568
\$27,000	\$ 794,644 (554.06 FTE) X 10.5% retirement = \$878,082

Total FY02	\$1,089,333 (\$679,765 + 409,568) estimated supplement required
Total FY03	\$2,848,320 (\$1,970,238 + \$878,082) estimated supplement required

ASSUMPTION (continued)

Note: By FY02 and FY03, the additional dollars needed will be less than the above amounts because salaries for these FTE will have increased in FY00 and FY01 bringing the salaries closer to the new proposed minimums.

The **Oversight Division** calculated fringe benefits at 18.37% to include retirement, FICA, unemployment and worker's compensation on the salary increases. Salary inflation was calculated at 2.5%; therefore, the costs would be as follows:

FY 2002: $(\$615,172 + \$370,650 = \$985,822) \times 1.1837 = \$1,166,918$
 FY 2003: $(\$1,783,021 + \$794,644 = \$2,577,665) \times 1.1837 = \$3,051,182$

Additionally, DESE officials assume some districts will incur some costs in order to meet the criteria necessary to receive the increased state schools moneys. The total statewide impact among all districts to meet the criteria is expected to be less than \$100,000. The **Oversight Division** assumes additional administrative costs would be minimal, and the school districts could absorb the costs with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003

SCHOOL DISTRICTS

<u>Cost-School Districts</u>			
Minimum Salary	\$0	(\$985,822)	(\$2,577,665)
Fringe Benefits	<u>\$0</u>	<u>(\$181,096)</u>	<u>(\$473,517)</u>
Total <u>Cost-School Districts</u>	<u>\$0</u>	<u>(\$1,166,918)</u>	<u>(\$3,051,182)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

In school year 2001-2002, the minimum teacher's salary would be \$20,000. In school year 2002-

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2003 and thereafter, the minimum teacher's salary would be \$21,000. For full-time teachers with at least a master's degree and at least ten years teaching experience, their minimum salary in school year 2001-2002 would be \$26,000 and in school year 2002-2003 and thereafter their minimum salary would be \$27,000.

The proposal would change the eligibility requirements for districts to receive minimum salary funding.

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
Public School Retirement System
Non-Teacher School Employee Retirement System
Joint Committee on Public Employee Retirement
State Tax Commission



Jeanne Jarrett, CPA
Director
March 1, 2000