

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4160-02
BILL NO.: HB 1958
SUBJECT: Education, Elementary and Secondary: Teachers
TYPE: Original
DATE: March 2, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$27,000)	(\$3,750)	(\$3,863)
Gaming Proceeds For Education Fund or Gaming Commission Fund or Lottery Proceeds for Education	(\$0 to \$13,948,647)	(\$0 to \$14,297,363)	(\$0 to \$14,654,797)
Excellence in Education Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$27,000 to \$13,975,647)	(\$3,750 to \$14,301,113)	(\$3,863 to \$14,658,660)
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	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

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

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 **Gaming Commission** assume the proposal would result in no fiscal impact to the agency.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the State Board of Education could require as many as approximately 10 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is \$26.50. The actual costs could be more or less the SOS's estimated cost of \$602.50 for FY 2001. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn. **Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Budget and Planning** state the proposal would not result in any impact on Total State Revenues or any fiscal impact on the Office of Administration.

Officials from the **Lottery Commission** state the Missouri Lottery FY 2000 profit is \$150 million. The FY 2001 estimated profit is \$154.5 million. Therefore, the Lottery anticipates increased profit of \$4.5 million in FY 2001 over FY 2000.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate the fiscal impact as follows:

Excellence in Education Fund

Proposed Section 163.172.6 sets the criteria for a district to be eligible to receive the supplemental state funds for the minimum salary. If the salary supplement is not fully funded then provision for prorating teacher salary supplements is made. For purposes of this fiscal note, 100% funding of the supplement is assumed.

Estimate of Salary Supplement Required

Baccalaureate

0-5 yrs	\$22,000	\$2,401,332	(1,885 FTE)
6-19 yrs	\$25,000	\$2,301,107	(1,326 FTE)
greater than 19 yrs	\$28,000	\$1,305,127	(606 FTE)

Masters or equivalent

greater than 10 yrs	\$28,000	\$ 510,947	(356 FTE)
greater than 19 yrs	\$34,000	\$3,381,229	(1,083 FTE)
greater than 29 yrs	\$40,000	\$1,884,196	(359 FTE)

Salary supplement estimate:	\$11,783,938
Retirement match estimate:	<u> X 10.5%</u>
Total estimate:	\$13,021,251

A 3% inflation factor was applied for FYs 2002 and 2003; these costs are estimated to be \$13,411,889 for FY 2002 and \$13,814,245 for FY 2003.

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, costs would be as follows:

FY 2001: $\$11,783,938 + (\$11,783,938 \times 0.1837) = \$13,948,647$
FY 2002: $\$11,783,938 \times 1.025 = \$12,078,536 + (\$12,078,536 \times 0.1837) = \$14,297,363$
FY 2003: $\$12,078,536 \times 1.025 = \$12,380,499 + (\$12,380,499 \times 0.1837) = \$14,654,797$

ASSUMPTION (continued)

By FY01 and beyond the additional dollars needed will change because teachers may move into other categories than those they were in during FY00.

HB 1958 proposed Section 163.172.6 appears to make it optional rather than mandatory for a district to participate in the minimum salary levels as well as the state funding supplements. Apparently, a district could continue with the existing \$18,000 minimum and \$24,000 minimum for teacher with 10 years public experience and a master's degree.

As a condition for receiving the state supplement proposed Section 163.172.8(6) appears to require a local board to give a teacher who is a new employee of the district credit for all previous years of public teaching experience. Currently, local boards set their own policy on the number of years credit from previous employment that will be granted.

DESE officials 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.

General Revenue Fund

A program would 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 would 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 proposal states that the salary supplements would be funded from "increases in state revenues from taxation of riverboat gaming operations, including boarding fees and lottery proceeds, compared to the amount of these revenues appropriated in fiscal year 2000." Section 313.822, RSMo., directs the adjusted gross receipts tax from gambling games to the Gaming Proceeds for Education Fund. Section 313.835, RSMo., directs gambling boat admission fees to the Gaming Commission Fund. Article III, Section 39(b), of the Constitution of Missouri directs lottery net proceeds after payment of prizes and administrative expenses to the Lottery Proceeds Fund for elementary, secondary and higher education. Gaming Commission Fund net proceeds are earmarked under current law. However, for purposes of this fiscal note, the **Oversight Division** assumes the salary supplement funding would be transferred from either the Gaming Proceeds for Education Fund, the Gaming Commission Fund or the Lottery Proceeds for Education Fund to the Excellence in Education Fund, which is the fund required to pay salary supplements per Section 163.172.7 of the proposal. Oversight has ranged DESE's estimated costs from zero, since the funding would depend on increases from FY 2000.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003
 (10 Mo.)

GENERAL REVENUE FUND

Cost-Department of Elementary and
 Secondary Education (DESE)
 Programming (\$27,000) (\$3,750) (\$3,863)

**GAMING PROCEEDS FOR
 EDUCATION FUND OR GAMING
 COMMISSION FUND OR LOTTERY
 PROCEEDS FOR EDUCATION
 FUND**

Cost-Gaming Proceeds for Education
 Fund or Gaming Commission Fund or
 Lottery Proceeds for Education Fund
 Transfer to Excellence in Education
 Fund (\$0 to
\$13,948,647) (\$0 to
\$14,297,363) (\$0 to
\$14,654,797)

**EXCELLENCE IN EDUCATION
 FUND**

Income-Department of Elementary and
 Secondary Education (DESE)
 Transfer from Gaming Proceeds for
 Education Fund or Gaming Commission
 Fund or Lottery Proceeds for Education
 Fund \$0 to
 \$13,948,647 \$0 to
 14,297,363 \$0 to
 \$14,654,797

Cost-Department of Elementary and
 Secondary Education (DESE)
 Salary Supplements to School Districts (\$0 to
 \$11,783,938) (\$0 to
 \$12,078,536) (\$0 to
 \$12,380,499)
 Fringe Benefits (\$0 to
\$2,164,709) (\$0 to
\$2,218,827) (\$0 to
\$2,274,298)
 Total Cost-DESE (\$0 to
 \$13,948,647) (\$0 to
 \$14,297,363) (\$0 to
 \$14,654,797)

ESTIMATED NET EFFECT ON

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

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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SCHOOL DISTRICTS

Income-School Districts

Salary Supplements	\$0 to \$13,948,647	\$0 to \$14,297,363	\$0 to \$14,654,797
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Cost-School Districts

Salaries	(\$0 to \$11,783,938)	(\$0 to \$12,078,536)	(\$0 to \$12,380,499)
Fringe Benefits	(\$0 to <u>\$2,164,709</u>)	(\$0 to <u>\$2,218,827</u>)	(\$0 to <u>\$2,274,298</u>)

Total <u>Cost-School Districts</u>	(\$0 to \$13,948,647)	(\$0 to \$14,297,363)	(\$0 to \$14,654,797)
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ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

The Commissioner of Education would present to the General Assembly a history of the cost to the state for teachers' minimum salary.

Beginning with the 2000-2001 school year, the minimum salary for a full-time teacher would be \$22,000, for a full-time teacher with at least five years experience would be \$25,000, for a full-time teacher with nineteen years experience or a full-time teacher with a master's degree and ten years experience would be \$28,000, for a full-time teacher with a master's degree and at least nineteen years experience would be \$34,000, and the minimum salary for a full-time teacher with a master's degree and at least twenty-nine years experience would be \$40,000.

DESCRIPTION (Continued)

L.R. NO. 4160-02
BILL NO. HB 1958
PAGE 7 OF 7
March 2, 2000

State minimum salary supplements paid to school districts from the Excellence in Education Fund would be funded from increases in state revenues from taxation of riverboat gaming operations, including boarding fees and lottery proceeds, compared to these revenues appropriation in FY 2000.

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
Gaming Commission
Lottery Commission
Office of Administration - Budget and Planning
Secretary of State's Office
Public School Retirement System
Non-Teacher School Employee Retirement System
Joint Committee on Public Employee Retirement



Jeanne Jarrett, CPA
Director
March 2, 2000