

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0590-04
Bill No.: HCS for SCS for SB 172
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
 Department; Boards, Commissions, Committees, Councils
Type: Original
Date: April 27, 2015

Bill Summary: This proposal modifies provisions relating to elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$3,848,957 to (Could exceed \$100,000)	\$3,848,957 to (Could exceed \$200,000)	\$3,848,957 to (Could exceed \$200,000)

*Does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$69,952,971 to the Public School Retirement System.

FISCAL ANALYSIS

ASSUMPTION

§§160.514 and 161.855 Work Groups

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal appears to establish funding for the requirements of HB 1490 which went into effect on 28 August 2014. The work groups established in HB 1490 have incurred costs totaling \$749,740 to date. This proposal details the number of meetings and the specific costs to be covered from July through October 2015 to carry out the requirements of this proposal.

DESE notes there are 8 workgroups. DESE estimated the costs per person is \$150 a day for a substitute teacher, \$100 a day per hotel room, \$30 a day for meals and \$.37 per mile for travel (assuming 250 miles per person). DESE estimates the cost per meeting is \$44,370. DESE estimated each group would meet once monthly in July, August and September 2015. Additionally the groups would have a one day whole group meeting in July and September 2015, for a total of 5 meetings. DESE estimated the cost of the five meetings as \$221,850.

Oversight notes this proposal requires the work group members to be reimbursed for travel expenses; including overnight accommodations, meals and mileage by DESE. Additionally, DESE is required to reimburse school districts for the costs of substitute teachers when a work group member has meetings. Oversight notes this proposal requires the work groups to meet and to file their performance standards with the State Board of Education by October 1, 2015. Oversight notes this proposal would become effective August 28, 2015. Therefore, Oversight assumes there would only be one month of meetings that may need to be reimbursed. Oversight will show the cost of the September individual meetings and the September group meeting. Oversight will show the impact as \$88,740 ($\$44,370 \times 2$).

Officials at the **Office of the Governor** and the **Office of the Lieutenant Governor** each assume there is no fiscal impact to their respective organization from this proposal.

§161.089 School Quality Indicators

Officials at the **DESE** assume this proposal appears very similar to the previous cycles of MSIP where the state would conduct an onsite and include the resource and process findings as part of the district's classification level. The difference is that it appears that the district itself would conduct this program evaluation.

DESE assumes §161.089.2 looks very much like what DESE would expect in a Comprehensive School Improvement Plan (CSIP) and a plan to evaluate programs. It is unclear how this will ensure rigor and post-secondary readiness.

ASSUMPTION (continued)

DESE assumes generating a statewide report, when districts choose their own reporting mechanisms, accountability measures, and assessments, will provide a report that is not useful for statewide comparison but can be done with existing resources.

§161.089.5 - School Quality Task Force would require meetings that are estimated at:
Lodging: assuming 1 day meetings, 4 times per year @ 22 members @ \$83 per night (Jefferson City rate) = \$7,304.
Meals: 1 day, 4 times per year @ 22 members @ \$30 per day (Jefferson City rate) = \$2,640.
Substitutes: 4 teachers, 1 day, 4 times per year @ \$60 to \$120 per day = \$960 to \$1,920.

Oversight notes this proposal would require members of the School Quality Task Force to be appointed by January 1, 2016 (FY 2016) and have their completed report filed by December 31, 2016 (FY 2017). Oversight will show for fiscal note purposes half the expenses of the Task Force in FY 2016 and half in FY 2017.

Officials at the **Department of Economic Development** and the **Department of Higher Education** each assumed there was no fiscal impact to their respective organizations from this proposal.

In response to the similar legislation filed this year, HB 1023, officials at the **Kansas City Public Schools** assumed they cannot determine the impact until such time as DESE promulgates rules to implement. The proposal may have an impact depending upon implementation.

In response to the similar legislation filed this year, HB 1023, officials at the **Special School District of St. Louis** assumed the fiscal impact was expected to be minimal.

In response to the similar legislation filed this year, HB 1023, officials at the **Everton R-III School District** assumed a cost of \$10,000.

Officials at the **Carondelet Leadership Academy** and the **Malta Bend School District** assume there is no fiscal impact from this proposal.

Oversight notes this proposal requires school districts to establish school quality indicators and a plan to achieve the school quality indicators. Oversight assumes the creation of the school quality indicators and plan for implementation of the achievement plans would have a fiscal impact on school districts.

ASSUMPTION (continued)

Oversight notes that school districts would be required to file annual reports about their school quality indicator plans. Oversight assumes school districts would require additional resources for the creation of the annual reports.

Oversight assumes all schools must have in place by July 1, 2018 the school quality indicator plan. Oversight can not determine in which year the schools will complete their plans and begin filing their annual reports. **Oversight** will indicate an impact of Unknown greater than \$100,000 for all school districts beginning in FY 2016.

Oversight notes DESE is not required to present a comprehensive report on the data included in the school district's annual reports until FY 2019. Oversight will show the collection of data from the school districts beginning in FY 2018.

§167.903 Seventh Grade and §167.905 Ninth Grade Personal Plans of Study

DESE defers to school districts for the impact of these provisions.

In response to similar legislation filed this year, HB 377, officials at the **Kansas City Public Schools** assumed this could have an impact. The impact is unknown but expected to be between \$100,000 and \$150,000 annually in personnel and testing costs.

Officials at the **Malta Bend School District** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 377, officials at the **Riverview Gardens School District** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 377, officials at the **Special School District of St. Louis** assumed this would have a negative impact as they would need to hire two additional counselors.

Oversight notes this proposal requires school districts to develop a policy and implement a measurable system for identifying students who are at risk of not being ready for college-level work or for entry-level career positions. Oversight assumes this proposal requires school districts to take into account the score of the student on the Missouri Assessment Program Tests.

Oversight notes that school districts will have costs associated with the implementation of the policies required under this proposal. Oversight will show the impact to all school districts as Unknown over \$100,000. This proposal will begin in July 1, 2017 and therefore, Oversight will show the impact to school districts starting in FY 2017.

ASSUMPTION (continued)

§169.070 Retirement 2.55% Multiplier

Officials from the **Public School and Education Employees Retirement System (PSRS)** assume the proposal modifies the "2.55% multiplier" provisions from a sunset date of July 1, 2014, to a permanent extension. This provision allows a member with 31 or more years of service to retire with an increased benefit multiplier of 2.55% (rather than 2.5%). As of January 2015, there are currently 987 members who are eligible to retire with 31 or more years of service.

According to the actuarial information provided by the PSRS, the provisions included in this proposal affecting PSRS would decrease the Unfunded Actuarial Liability (UAAL) by \$69,952,971. The decrease in contributions to the PSRS would total approximately \$7,697,914 which is an employer/teacher matching contribution. The annual savings of \$7,697,914 per year for the next 30 years is due to the reduction of the UAAL and the Normal Cost Rate of the Plan as a result of this 2.55% provision being made a permanent part of the benefit structure. This proposal will not only provide the above mentioned annual savings to the system, the reduction in the UAAL as well as the reduction in the Present Value of Future Benefits will result in an increase in the Plan's funded ratio of .16%.

Officials from the **Joint Committee on Public Employee Retirement (JCP)** state that according to the actuarial information provided by the Public School Retirement System (PSRS) and Public Education Employees Retirement System (PEERS), the legislation would indicate that such provisions would constitute a substantial proposed change in future plan benefits as defined in §105.660(10).

§§169.141 and 169.715 Retirement Allowance

Officials from the **Joint Committee on Public Employee Retirement** state that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Public School and Education Employees Retirement System (PSRS)** estimate that this proposal will result in an insignificant fiscal savings to their agency.

Specifically this proposal applies to members who elect to receive, or are currently receiving their retirement allowance payable as a joint-and-survivor annuity with their spouse as the beneficiary. In addition, this proposal provides that the member's retirement allowance will increase to the amount that would be payable had they elected a single life annuity payment for if:

- ▶ Their marriage is dissolved on or after September 1, 2015,
- ▶ The dissolution decree provides for sole retention by the retired member of all rights in the retirement allowance, and

ASSUMPTION (continued)

- ▶ The member applies for the increase in retirement allowance back to single life benefit and provides a certified copy of the decree of dissolution.

Allowing a reduced joint and survivor benefit to revert back to the original life annuity is equivalent to the member paying insurance premiums for their spouse to receive continuing payments after their death, but then cancelling the policy prior to the member's death such that no death benefit will ever be paid. In this case the benefit actually paid by the system is a life annuity to the member, but the member received less than the original life annuity payment amount for the period between their retirement date and the date of divorce. This results in a savings to the system for the difference between the original life annuity amount and the reduced joint and survivor benefit amount during the period between commencement and divorce. However, we expect the magnitude of the cost savings to be very small, to the point of having little or no impact on the actuarially determined contribution rate for each system, for the following reasons:

- ▶ PSRS anticipates this proposal impacting a very limited group of retired members.
 - Members must be married and elect one of the joint and survivor payment options at retirement.
 - As of June 30, 2014, 21,988 of 49,707 PSRS service retirees, or 44%, are receiving a joint and survivor.

§§169.324 and 169.560 Teacher Retirement

Officials from the **Joint Committee on Public Employee Retirement** stated that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Public School and Education Employees Retirement System (PSRS)** stated this proposal will have no measurable fiscal impact to the system. This proposal creates a suspension of a member's retirement allowance when they return to work, which results in a temporary savings for the system. The accrual of a second retirement allowance during the suspension period can result in a small cost or savings to the system. Historically, a very small percentage of retirees return to work in a capacity that exceeds the limitations noted above. As of June 30, 2014, 106 of 49,707 PSRS service retirees, or .2%, have returned to work and had their retirement allowance suspended. As of June 30, 2014, 87 of 22,756 Public Education Employee Retirement System service retirees, or .4%, have returned to work and had their retirement allowance suspended.

ASSUMPTION (continued)

§170.029 CTE Certificate

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this will result in additional costs due to data collection; however, they do not anticipate a cost greater than \$100,000. DESE defers to local school districts regarding the extent of any costs.

Officials at the **Kansas City Public Schools** assume they cannot determine the fiscal impact until such time as DESE outlines how they will promulgate rules to implement the proposed legislation.

Officials at the **Everton R-III School District, Riverview Gardens School District** and the **Special School District of St. Louis** each assume there is no fiscal impact to their respective school district from this proposal.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Oversight notes this proposal requires DESE to establish minimum requirements for a career and technical education high school certificate. DESE shall stipulate the minimum number of hours of vocational offerings per district with the goal of establishing six vocational areas of study. Oversight assumes that DESE will be able to establish the career and technical education certificate with existing staff and resources. Oversight assumes that DESE will need less than \$100,000 for computer upgrades and data collection annually.

Oversight requested a list of the school districts that currently have approved career education programs. There are currently 446 that have an approved career education program out of the 448 school districts that have a high school. Oversight notes that the school districts that replied to Oversight's request for impact all currently have an approved career education program.

Oversight requested a list of the current vocational areas of study approved by DESE. Those areas are:

- Agriculture, Food and Natural Resources
- Business, Management and Administration
- Family Consumer Science and Human Services
- Education and Training
- Hospitality and Tourism
- Finance
- Health Science
- Information Technology
- Marketing
- Science, Technology, Engineering and Mathematics (STEM)

ASSUMPTION (continued)

- Project Lead the Way
Skilled Technical Sciences
Architecture and Construction
Arts, AV Technology and Communications
Law, Public Safety, Corrections and Security
Manufacturing
Transportation, Distribution and Logistics

Oversight for purposes of the fiscal note, will assume that the six vocational areas of study will be based on the existing areas and therefore establishing curriculum, programs of study and course offerings would not have a fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

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.

§173.750 Remediation Report

Officials at the **DESE** assumes the need for one FTE Supervisor to review all policies and procedures related to remediation across all offices and to prepare the report for the joint committee on education. This FTE would be needed in FY 2016 and for four months of FY 2017.

§178.550 Career and Technical Education Advisory Council

Officials at the **DESE** assume no direct impact from this provision.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Costs</u> - DESE - data collection §170.029	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Costs</u> - DESE - reimbursement of work group member's travel expenses §161.855	(\$88,740)	\$0	\$0
<u>Costs</u> - DESE - School Quality Task Force expenses §161.089	(\$5,932)	(\$5,932)	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Could exceed \$100,000)	(Less than \$100,000)	(Less than \$100,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENT FUNDS			
<u>Savings</u> - Public Schools (PSRS) - Decrease in employer contributions (§169.070)	\$3,848,957	\$3,848,957	\$3,848,957
<u>Costs</u> - School Districts - implementation of this proposal §161.089	(Unknown over \$100,000)	(Unknown over \$100,000)	(Unknown over \$100,000)
<u>Costs</u> - School Districts - implementation of the new policy on college readiness §167.903 & §167.905	\$0	(Unknown over \$100,000)	(Unknown over \$100,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS	\$3,848,957 to (Unknown over \$100,000)	\$3,848,957 to (Unknown over \$200,000)	\$3,848,957 to (Unknown over \$200,000)

***Does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$69,952,971 to the Public School Retirement System.**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This legislation states that work group members must be reimbursed by the department for travel expenses, including overnight accommodations, meals, and mileage reimbursement using the state per-diem formula and the department must reimburse school districts for the cost of a substitute teacher and a teacher's daily pay when a work group member is required to miss a school day to attend a work group meeting. (§160.514 and §161.855)

This legislation specifies school quality indicators that the state board of education shall consider when classifying public schools. (§161.089)

This bill requires each school district to develop a policy and implement a system by July 1, 2017, for identifying students in their ninth grade year and students who transfer into the school after ninth grade who are at risk of not being ready for college level work or for entry-level career positions. Indicators include, but are not limited to, performance on the Missouri Assessment Program tests; the district's reported remediation rate; and the student attendance rate. The district policy must require academic and career counseling to take place sufficiently prior to graduation for any at-risk student to ensure the ability of the school to provide sufficient opportunities to the student to graduate college or career ready and on time. (§167.905)

Allows each student during his or her seventh grade year at a public school or charter school to develop a personal plan of study with help from the school's guidance counselors that must be reviewed at least annually by school personnel and the student's parent or guardian and updated based on the needs of the student; requires, beginning with the 2016-17 school year, DESE to include a credit component in the scoring guide under the Missouri School Improvement Program for school districts that implement this plan; and requires, no later than January 1, 2016, the department to revise its scoring guide under the program to include a component of credit for identifying ninth grade students who are at risk of dropping out or not being ready for college-level work or for entry-level career positions and to provide significant weight to that component for the purposes of determining a district's accreditation. (§167.903)

On July 1, 2014, a provision of law expired that permitted members of the Public School Retirement System of Missouri with thirty-one years or more of creditable service to use a multiplier of 2.55 when calculating the member's retirement allowance. This proposal repeals the July 1, 2014 expiration date so that members with thirty-one years or more of creditable service will have their retirement allowance calculated using a multiplier of 2.55. (§169.070)

This proposal contains an emergency clause.

This bill requires the State Board of Education to establish minimum graduation requirements for a career and technical education (CTE) high school certificate. Students entering high school in the 2016-17 school year and thereafter will be eligible to earn a CTE certificate, which will

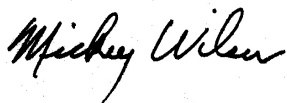
FISCAL DESCRIPTION (continued)

confer the same benefits as any other high school diploma meeting graduation requirements. The CTE diploma will be based on requirements designed to provide students with technical skills and core academic skills to be ready for a career in a technical field. Curriculum, programs of study, and course offerings will be determined by the local school district based on the needs and interests of the district's students. The State Board of Education will work in cooperation with local districts to stipulate the minimum number of vocational offerings per district with a goal of establishing at least six vocational areas of study in each district. Districts must make an effort to offer programs of study for as many vocational career paths as economically feasible, and in establishing curriculum requirements may incorporate standards for industry-recognized certifications.

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

Carondelet Leadership Academy
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Everton R-III School District
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Kansas City Public Schools
Malta Bend School District
Office of the Governor
Office of the Lieutenant Governor
Office of the Secretary of State
Public School and Education Employees Retirement System
Riverview Gardens School District
Special School District of St. Louis



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L.R. No. 0590-04
Bill No. HCS for SCS for SB 172
Page 13 of 13
April 27, 2015

April 27, 2015

April 27, 2015