

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3661S.02I
 Bill No.: SB 1163
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education; Teachers; General Assembly; Higher Education
 Type: Original
 Date: March 4, 2024

Bill Summary: This proposal establishes provisions relating to teacher recruitment and retention and creates the "Teacher Baseline Salary Grant Program" and the "Teacher Recruitment and Retention State Scholarship Program".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
General Revenue*	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$20,013,259)	\$0 or (Could exceed \$21,637,872)	\$0 or (Could exceed \$6,433,044)
Total Estimated Net Effect on General Revenue	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$20,013,259)	\$0 or (Could exceed \$21,637,872)	\$0 or (Could exceed \$6,433,044)

*Current FY 2025 appropriation request (2.020) for \$23,831,690 would help pay for 70% of the cost to increase teachers' starting salary to \$38,000. Oversight will range the fiscal impact of this bill from \$0 (no further state appropriations to help pay for the increase – all borne by school districts) to a continued state appropriation for 70% of the cost for the teacher pay increases (local school districts would pay the other 30%).

* Oversight notes the Urban Flight and Rural Needs Scholarship Program is currently not appropriated. Therefore, Oversight has reflected the cost of the changes as a new program (now named the Teacher Recruitment and Retention State Scholarship Program). As the new Teacher Recruitment and Retention State Scholarship Program is still subject to appropriation, Oversight has reflected the cost of the program as "\$0 or".

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
Teacher Baseline Salary Grant Fund*	\$0	\$0	\$0	\$0
Teacher Recruitment and Retention State Scholarship Program Fund**	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on Other State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*Transfers in and distributions net to zero.

** Oversight assumes if 5% of scholarships funds were converted to loans, increased revenues could potentially meet the \$250,000 threshold in FY 2026.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
Total Estimated Net Effect on FTE	0	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 2025	FY 2026	FY 2027	Fully Implemented (FY 2031)
Local Government	\$0 to (Unknown)	(Unknown, Could exceed \$6,647,198) or Up to (\$22,157,236)	(Unknown, Could exceed \$7,159,660) or Up to (\$23,865,532)	Could exceed (\$33,180,872)

*Ranged from 30% (state kicks in 70%) to 100% of the cost for educator salary increases.

FISCAL ANALYSIS

ASSUMPTION

Section 163.172 – Baseline Teacher Salary Grants Program

Officials from the **Department of Elementary and Secondary Education (DESE)** state DESE currently oversees the Teacher Baseline Salary Grant Program as authorized in section 2.020 of HB 2. The minimum salary for Missouri teachers at \$38,000 (163.172.1(2)) will impact 4,931 teachers from 366 school districts. The total cost would be \$16,613,916 + \$2,658,227 for benefits (16%) = **\$19,272,143**.

*DESE currently has an appropriation for Teacher Baseline Salary Grants. The FY 25 request for funding is for \$23,831,690 which would fund this portion of the legislation.

Additional funding would be required to provide grants to raise the minimum salaries of Missouri teachers with a master's degree and at least ten years teaching experience:

Minimum salary for Missouri teachers with a master's degree and at least ten years' teaching experience.

In 2025-26, a salary of \$44,000 would impact 906 teachers from 272 school districts (163.172.1(4)(a)). The total cost would be \$2,487,227 + \$397,956 for benefits (16%) = **\$2,885,183**.

*This cost would be absorbed by the FY 2025 appropriation request.

In 2026-27, a salary of \$45,000 would impact 1,223 teachers from 326 school districts (163.172.1(4)(b)). The total cost would be \$3,461,402 + \$553,825 for benefits (16%) = **\$4,015,227**.

*A portion of this cost would be absorbed by the FY 2025 appropriation request with an additional \$2,340,863 needed.

In 2027-28, a salary of \$46,000 would impact 1,603 teachers from 362 school districts (163.172.1(4)(c)). The total cost would be \$4,978,994.65 + \$796,639.14 for benefits (16%) = **\$5,775,633.79**.

In 2028-29, a salary of \$47,000 would impact 2,015 teachers from 394 school districts. The total cost would be \$6,792,725.19 + \$1,086,836.03 for benefits (16%) = **\$7,879,561.22**.

In 2028-29, a salary of \$48,000 would impact 2,543 teachers from 430 school districts. The total cost would be \$9,071,958.88 + \$1,451,513.42 for benefits (16%) = **\$10,523,472.30**.

Oversight notes upon further inquiry with DESE, the minimum salary for Missouri teachers with a master's degree and at least ten years' teaching experience would be:

In 2029-30, a salary of \$48,000 would impact 2,543 teachers from 430 school districts. The total cost would be \$9,071,958.88 + \$1,451,513.42 for benefits (16%) = **\$10,523,472.30**.

In 2030-31, a salary of \$48,000 + 2% COLA the total cost would be \$9,253,398.06 + \$1,480,543.69 for benefits (16%) = **\$10,733,941.75**.

In response to a similar proposal, HCS for HB 1447 (2024), officials from the **DESE** stated:

The Consumer Price Index (CPI) (163.172.2) for January 2024 is 3.1%. Assuming the CPI remains constant DESE would apply a 3% increase for 2028-29 and subsequent years.

In 2028-29,
 $\$5,775,633.79 + \$173,269.01$ (3% CPI) = $\$5,948,902.80 + \$951,824.45$ (16% payroll benefits) = **\$6,900,727.25**

In 2029-30,
 $\$6,900,727.25 + \$207,021.82$ (3% CPI) = $\$7,107,749.07 + 1,137,239.85$ (16% payroll benefits) = **\$8,244,988.92**

In 2030-31,
 $\$8,244,988.92 + \$247,349.67$ (3% CPI) = $\$8,492,338.59 + \$1,358,774.17$ = **\$9,851,112.76**

Oversight assumes this proposal requires school districts to raise teacher salaries to the proposed minimum levels. Oversight assumes this would be a cost to the school districts. School districts and charter schools must apply for the funding and provide a local match of 30%. As of July 2023, DESE had approved 316 grant applications from school districts. DESE has requested funding for FY 2025 to raise salaries to \$38,000 plus an increase for related benefit costs for a total request of \$23,831,690 (per DESE's Budget Request for FY 2025).

Oversight assumes this proposal creates a Grant Program where school districts can apply to DESE for a grant of money to assist school districts in increasing the minimum teacher salaries. Section 163.172.10 states subsections 8 and 9 of this section shall expire on December 31, 2028.

Oversight has calculated the fiscal impact in the below table with data provided from DESE:

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Base Salary	16,613,916	17,112,333	17,625,703	18,154,475	18,699,109	19,260,082
Base Benefits (16% of Salary)	2,658,227	2,737,973	2,820,113	2,904,716	2,991,857	3,081,613
Subtotal	<u>19,272,143</u>	<u>19,850,306</u>	<u>20,445,816</u>	<u>21,059,191</u>	<u>21,690,966</u>	<u>22,341,695</u>
Masters 10+ Salary	2,487,227	3,461,402	4,978,995	6,792,725	9,071,959	9,344,118
Masters 10+ Benefits (16% of Salary)	397,956	553,824	796,639	1,086,836	1,451,513	1,495,059
Subtotal	<u>2,885,183</u>	<u>4,015,226</u>	<u>5,775,634</u>	<u>7,879,561</u>	<u>10,523,472</u>	<u>10,839,177</u>
Total	<u>22,157,326</u>	<u>23,865,532</u>	<u>26,221,450</u>	<u>28,938,752</u>	<u>32,214,438</u>	<u>33,180,872</u>

Oversight will show a potential range of impact to General Revenue of \$0 (no appropriation) up to 70% of the cost estimated in the above table transferring to the Teacher Baseline Salary Grant Fund. This cost includes the minimum salary increase for Missouri teachers to reach \$38,000 with 3% CPI adjustment starting in FY 2027, the added minimum salary increases for Missouri teachers with a master’s degree and at least ten years’ teaching experience the 3% CPI adjustment starting in FY 2031. Therefore, FY 2026 total cost is **\$15,510,128** (\$19,272,143 + \$2,885,183*70%), FY 2027 is **\$16,705,872** (\$19,850,306 + \$4,015,226*70%), FY 2028 is **\$18,355,015** (\$20,445,816 + \$5,775,634*70%) and FY 2031 is **\$0** as the grant program expires on December 31, 2028.

Oversight will show a range of impact to school districts for 30% of the cost up to the full cost if no money is appropriated by the general assembly. FY 2031 will reflect the full cost of minimum salary increase for teachers as the schools will no longer be able to apply to the grant program due to expiration on December 31,2028.

168.110 - Differentiated Placement on Salary Schedule

In response to a similar proposal, HCS for HB 497 (2023), officials from the **DESE** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DESE for this section of the proposal.

Oversight assumes this proposal would allow school districts the flexibility to increase the pay for teaching positions that are more difficult to fill. Oversight notes there could be increased costs for school districts if teachers in hard-to-staff subject areas receive differentiated placement on the salary schedule to increase compensation; however, this is at the discretion of the school districts (may).

Section 173.232 – Urban Flight and Rural Needs Scholarship Program

In response to a similar proposal, HB 1447 (2024), officials from **DESE** stated the average cost of tuition and fees in Missouri public institutions was \$10,721.74 in the 2020-2021 academic year. Based on this average, the department prepared the following estimates based on the number of scholarships.

The maximum number of scholarships made available under this section shall be as follows:
For academic years ending before July 1, 2025, one hundred (173.232.2(1)) - \$1,072,174

For the 2024-25 academic year two hundred (173.232.2(2)) - \$2,144,200

For the 2025-26 academic year two hundred twenty (173.232.2(3)) - \$2,358,620

For the 2026-27 academic year two forty (173.232.2(4))- \$2,573,040

For the 2027-28 academic year two sixty (173.232.2(5))- \$2,787,460

For the 2028-29 academic year two eighty (173.232.2(6)) - \$3,001,880

For the 2029-30 academic year and all subsequent academic years, three hundred (173.232.2(7))
\$3,216,330

Department of Elementary and Secondary Education (DESE) believes current staffing would be available to process and oversee both grant programs. However, if multiple pieces of legislation are passed with additional requirements DESE will seek additional FTE through the appropriations process.

Oversight assumes the ramp-up schedule for proposed scholarships is as follows:

- FY 2025 – 200 - 200 (first year scholarships)
- FY 2026 – 420 - 200 (second year scholarships) + 220 (new first year scholarships)
- FY 2027 – 460 - 220 (second year scholarships) + 240 (new first year scholarships)
- FY 2028 – 500 - 240 (second year scholarships) + 260 (new first year scholarships)
- FY 2029 – 540 - 260 (second year scholarships) + 280 (new first year scholarships)
- FY 2030 – 580 - 280 (second year scholarships) + 300 (new first year scholarships)
- FY 2031 – 600 - 300 (second year scholarships) + 300 (new first year scholarships)

Oversight notes the Urban Flight and Rural Needs Scholarship program was created by SB 980 in 2006. Upon further inquiry on HCS for HB 497 (2023), DESE indicated this program has not received an appropriation in the last five years. For purposes of this fiscal note, Oversight assumes the cost of this program would be the maximum allowed number of scholarships (assuming DESE's average cost of tuition). See the chart below.

Academic Year	Proposed Scholarships	Proposed Law Cost
2024-25	200	\$2,144,348
2025-26	420	\$4,503,131
2026-27	460	\$4,932,000
2027-28	500	\$5,360,870
2028-29	540	\$5,789,740
2029-30	580	\$6,218,609
2030-31	600	\$6,433,044

Oversight notes if costs increase, the total cost of the scholarship program may also increase. Scholarships will only be awarded based upon appropriation. Oversight will show a range of impact of \$0 (no scholarships issued or no funds appropriated) up to the cost that could exceed the cost for the maximum number of scholarships allowed.

Responses regarding the proposed legislation as a whole

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

Officials from the **Henry County R-1 School District** assume this would create a large financial impact for their district. This bill would add \$15,000 - \$20,000 to their annual budget. DESE and/or the State of Missouri would have to adjust the funding formula for small schools to provide appropriate financing for this piece of legislation to be feasible for small districts.

Oversight received limited 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
GENERAL REVENUE				
<u>Transfer Out - DESE - teacher salary increases if funded through the Teacher Salary Grants at 70% of the cost - §163.172</u>	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,705,872)	\$0
<u>Costs - DESE - transfer out to the Teacher Recruitment and Retention State Scholarship Program Fund increase in maximum allowed scholarships - §173.232</u>	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$4,503,131)	\$0 or (Could exceed \$4,932,000)	\$0 or (Could exceed \$6,433,044)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$20,013,259)	\$0 or (Could exceed \$21,637,872)	\$0 or (Could exceed \$6,433,044)
TEACHER BASELINE SALARY GRANT FUND				
<u>Transfer In – from General Revenue – §163.172</u>	\$0	\$0 or Up to \$15,510,128	\$0 or Up to \$16,705,872	\$0
<u>Transfer Out – to School Districts - §163.172</u>	\$0	\$0 or Up to (\$15,510,128)	\$0 or Up to (\$16,705,872)	\$0
ESTIMATED NET EFFECT ON THE TEACHER BASELINE SALARY GRANT FUND	\$0	\$0	\$0	\$0

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND				
<u>Transfer In – from General Revenue - §173.232</u>	\$0 or Could exceed \$2,144,348	\$0 or Could exceed \$4,503,131	\$0 or Could exceed \$4,932,000	\$0 or Could exceed \$6,433,044
<u>Costs - scholarships awarded - §173.232</u>	\$0 or (Could exceed \$2,144,348)	\$0 or (Could exceed \$4,503,131)	\$0 or (Could exceed \$4,932,000)	\$0 or (Could exceed \$6,433,044)
<u>Income - Principal and Interest payments rec'd – from scholarships converted to loans - §173.232</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income – sale proceeds – from scholarships converted to loans & sold to MOHELA - §173.232</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
SCHOOL DISTRICTS				
<u>Revenue Gain</u> - from the Teacher Baseline Salary Grant Fund for Teacher Salary Grants at 70% of the cost - §163.172	\$0	\$0 or Up to \$15,510,128	\$0 or Up to \$16,705,872	\$0
<u>Costs</u> - School Districts - for teacher salary increases - §163.172	\$0	(\$22,157,326)	(\$23,865,532)	(\$33,180,872)
<u>Costs</u> - differentiated placement of hard-to-staff teachers on the salary schedule - §168.110	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0 to (Unknown)	(Unknown, Could exceed \$6,647,108) or Up to (\$22,157,236)	(Unknown, Could exceed \$6,986,211) or Up to (\$23,865,532)	Could exceed (\$33,180,872)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act establishes provisions relating to teacher recruitment and retention. The act creates the "Teacher Baseline Salary Grant Program" and changes the name of the "Urban Flight and Rural Needs Scholarship Program" to the "Teacher Recruitment and Retention State Scholarship Program."

MINIMUM TEACHER'S SALARY (Section 163.172)

Beginning in the 2025-26 school year, this act increases the minimum teacher's salary from \$25,000 to \$38,000.

For teachers with a master's degree and at least ten years of experience, this act increases the minimum salary from \$33,000 to \$44,000 for the 2025-26 school year and further increases such salary by \$1,000 each year until the 2029-2030 school year, when the minimum shall be \$48,000. In the 2026-27 school year and in all subsequent school years, such minimum salary shall additionally be adjusted annually by the percentage increase in inflation, as such term is defined in the act. The State Board of Education shall publish such minimum salaries annually beginning on or after January 1, 2026.

The act creates the "Teacher Baseline Salary Grant Fund" and "Teacher Baseline Salary Grant Program" for the purpose of increasing minimum teacher's salaries. The General Assembly may appropriate moneys to the Fund, provided that the total amount appropriated shall not exceed the amount necessary to assist each school district in increasing minimum teacher's salaries as required pursuant to the provisions of the act. For the 2025-26, 2026-27, and 2027-28 school years, each school district may apply to the Department of Elementary and Secondary Education (DESE) for a grant from the Fund, provided that a grant shall not exceed 70% of the amount necessary for a district to increase minimum teacher's salaries as required pursuant to the provisions of the act. The remaining 30% of the amount necessary to increase minimum teacher's salaries shall be allocated from the district's local effort funding as provided in current law. These provisions shall expire on December 31, 2028.

HARD-TO-STAFF SCHOOLS AND SUBJECT AREAS (Section 168.110)

The act provides that a school board may include differentiated placement of teachers on the salary schedule to increase compensation in order to recruit and retain teachers in hard-to-staff subject areas or schools. No modifications to the identification of hard-to-staff subject areas or schools shall result in the demotion of a teacher in the salary schedule. Each school district that includes differentiated placement of teachers on the district salary schedule shall annually provide to the Department of Elementary and Secondary Education a report containing information outlined in the act.

TEACHER EDUCATION PROGRAMS (Section 168.400)

The act repeals provisions of current law that require preservice teacher education programs to include a program of entry-level testing of all prospective teacher education students to be administered by the Commissioner of Education.

CAREER LADDER (Section 168.500)

The act repeals a provision of current law that teachers' Career Ladder responsibilities and career efforts shall be required to occur outside of compensated hours. The act also specifies that teachers may receive Career Ladder admission and stage achievement for certain activities that are not included in the duties that require a teaching certificate under current law.

TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM (Section 173.232)

The act changes the name of the "Urban Flight and Rural Needs Scholarship Program" to the "Teacher Recruitment and Retention State Scholarship Program". The corresponding state treasury fund is also renamed accordingly.

The number of years a student may receive a scholarship is reduced from four to two years. The number of students who may receive a scholarship is increased from 100 to 200 in the 2025-26 academic year, with 20 more students being added in each subsequent year until 2030-31 and all subsequent academic years, when 300 students may receive scholarships.

To be eligible for a scholarship, recipients shall sign an agreement to teach in a hard-to-staff subject or a hard-to-staff school, as defined in the act, in a Missouri public school for two years for every one year the recipient receives a scholarship. Recipients after June 30, 2025 shall also sign a statement that they have made a good faith effort to secure all available federal sources of grant funding.

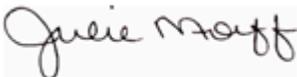
The act modifies the interest rate paid by scholarship recipients who do not follow through on their agreement to teach in a hard-to-staff subject or school and must therefore repay their scholarship award as a loan.

An individual who has qualified as an eligible student under the act shall continue to qualify as an eligible student as long as he or she remains employed by the school district in which he or she agrees to teach, regardless of whether his or her employing school no longer qualifies as a hard-to-staff school, the class he or she teaches longer qualifies as a hard-to-staff subject area, or his or her position within the school district changes.

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
Office of the State Treasurer
Henry County R-1 School District



Julie Morff
Director
March 4, 2024



Ross Strope
Assistant Director
March 4, 2024