

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4182S.02I  
 Bill No.: SB 1013  
 Subject: Teachers; Education, Elementary and Secondary; Department of Elementary and Secondary Education; Higher Education  
 Type: Original  
 Date: February 7, 2024

Bill Summary: This proposal establishes the Teacher Recruitment and Retention State Scholarship Program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
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 \$4,503,131)	\$0 or (Could exceed \$4,932,000)	\$0 or (Could exceed \$6,433,044)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Could exceed \$2,144,348)</b>	<b>\$0 or (Could exceed \$4,503,131)</b>	<b>\$0 or (Could exceed \$4,932,000)</b>	<b>\$0 or (Could exceed \$6,433,044)</b>

\* 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".

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

\* 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.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>Fully Implemented (FY 2031)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 173.232 – Urban Flight and Rural Needs Scholarship Program

Officials from **DESE** state 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** notes the current Urban Flight and Rural Needs Scholarship program is not funded; therefore, the changes in the bill are considered a new program. Oversight also 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.

Officials from the **Department of Higher Education and Workforce Development** 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 these agencies.

In response to a similar proposal, HB 1447 (2024), officials from the **Office of the State Treasurer** assumed 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.

**Oversight** received zero responses from school districts or colleges 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 and colleges 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)
<b>GENERAL REVENUE</b>				
<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 <u>\$2,144,348</u> )	\$0 or (Could exceed <u>\$4,503,131</u> )	\$0 or (Could exceed <u>\$4,932,000</u> )	\$0 or (Could exceed <u>\$6,433,044</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (Could exceed <u>\$2,144,348</u>)</b>	<b>\$0 or (Could exceed <u>\$4,503,131</u>)</b>	<b>\$0 or (Could exceed <u>\$4,932,000</u>)</b>	<b>\$0 or (Could exceed <u>\$6,433,044</u>)</b>
<b>TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND</b>				
<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>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
<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 &amp; sold to MOHELA - §173.232</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>TEACHER RECRUITMENT AND RETENTION STATE SCHOLARSHIP PROGRAM FUND</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2031)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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 act provides that scholarship funds may be used to cover up to 100% of the cost of tuition, university-charged fees, and other costs directly associated with teacher preparation, as approved by the Department of Elementary and Secondary Education.

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.

Scholarship recipients after June 30, 2025, shall sign a statement that they have made a good faith effort to secure all available federal sources of grant funding.

The act repeals a provision that a student must have attended a Missouri high school in order to be eligible for a scholarship.

To be eligible for a scholarship, recipients shall sign an agreement to student teach at, apply for, interview for, and accept a position, if offered, in a Missouri public school that is a hard-to-staff school or to teach at least one hard-to-staff subject area in a Missouri public school, or both, for two years for every one year the recipient receives a scholarship. The act defines a "hard-to-staff school" as an attendance center where the percentage of certificated positions that were left vacant or were filled with a teacher not fully qualified in the prior academic year exceeds 5% as reported to the Department. A "hard-to-staff subject area" is defined as a content area for which positions were left vacant or were filled with a teacher not fully qualified in the prior academic year.

The scholarships provided in the act shall be available to students who have successfully completed 48 credit hours at an institution of higher education.

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.

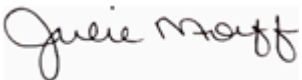
An individual who has qualified as an eligible student under the act shall continue to qualify as an eligible student as long as he or she remains employed by the school district in which he or she agreed to teach, regardless of whether his or her employing school no longer qualifies as a hard-to-staff 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  
Department of Higher Education and Workforce Development



Julie Morff  
Director  
February 7, 2024



Ross Strobe  
Assistant Director  
February 7, 2024