

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2514-05
BILL NO.: HCS For SB 573
SUBJECT: Education, Elementary and Secondary: State School Aid
TYPE: Original
DATE: April 11, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
State School Moneys	(GREATER THAN \$2,200,000)	(GREATER THAN \$2,200,000)	(GREATER THAN \$2,200,000)
General Revenue	(\$27,000)	(\$4,703,750)	(\$1,003,863)
Excellence in Education	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(GREATER THAN \$2,227,000)	(GREATER THAN \$6,903,750)	(GREATER THAN \$3,203,863)

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	GREATER THAN \$2,200,000	GREATER THAN \$1,336,610	LESS THAN (\$2,363,390)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **St. Louis Special School District** state no county students are currently placed outside of St. Louis County for alternative education; therefore, there would currently be no fiscal impact.

Officials from the **Public School Retirement System and Non-Teacher School Employee Retirement System** assume the legislation related to minimum salaries 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) for minimum salaries.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the State Board of Education for minimum salaries 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 **Department of Elementary and Secondary Education (DESE)** estimate the fiscal impact as follows:

Violence Prevention Categorical Add-on (2847-01):

This would be a new cost and subject to appropriation. The amount is not known. This would affect the State Schools Moneys Fund.

ASSUMPTION (continued)

Line 14 Payment Directive (3019-01): This proposal requires the payment for Line 14 to be the greater of Line 14A+B or the 14A calculation if the district's operating levy was \$2.75. For FY 2001, approximately 125 districts would benefit from this change at an approximate state cost of \$2.0 million. This would affect the State School Moneys Fund.

Voluntary Transfers -- Removal from hold harmless calculation (3532-02):

While the cost of this provision is unknown, it is likely to be minimal. A specific impact can not be developed because DESE does not have the number of voluntary transfer students eligible for free or reduced price lunch for 1997-98 and will collect that data if this legislation is passed. Nevertheless, the cost is likely to be minimal because the 2000-2001 hold harmless cost may decrease without this change because these St. Louis County districts will likely see a decrease in the Line 14 amount compared to the 1997-98 Line 14. This decrease would result in a reduced hold harmless payment amount. Therefore, adjusting the calculation to exclude voluntary transfer students may result in the FY2001 cost being similar to the FY2000 cost.

New: The statement added that reads "Beginning with the 2000-2001 school year, for any district with voluntary transfer students in 1997-1998, the current year per eligible pupil payment amount shall not be less than the previous year per eligible pupil payment amount" restricts the per eligible pupil payment amount from being less than the previous year. This will be a moving number. Since FY 2001 cannot be less than FY 2000, there will be no savings. Likewise, the increased cost would mainly be due to an increase in the number of eligible pupils.

Minimum Teacher Salary Level Increase (4160-06)

Base Estimate of Salary Supplement

The following table shows the impact if implemented in FY 2000.

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)

ASSUMPTION (continued)

FY 2000 data was used to estimate the impact of these provisions if it were to take effect in FY 2000. This supplement amount would be approximately \$11.8 million. However, the bill is not effective for FY 2000, therefore there is no impact.

FY 2001

FY 2001 salaries will increase statewide approximately 2.5%, thereby reducing the supplement base estimate to \$8.3 million:

- (1) FY 2001 -- \$141.0 million in local effort X 2.5% = \$3.5 million;
\$11.8 million - \$3.5 = \$8.3 million (base estimate of salary amount);
- (2) No projected impact. Bill not effective yet.

FY 2002

FY 2002 salaries will increase statewide approximately 2.5%, thereby reducing the supplement base estimate to \$4.7 million:

- (1) FY 2002 -- \$144.5 million in local effort X 2.5% = \$3.6 million;
\$8.3 million - \$3.6 = \$4.7 million;
- (2) This is the first year in which the salary schedule will be in effect. Therefore, this \$4.7 million is the projected state cost for FY 2002.

FY 2003

FY 2003 salaries will increase statewide approximately 2.5%, thereby reducing the supplement base estimate to approximately \$1.0 million:

- (1) FY 2003 -- \$148.1 million in local effort X 2.5% = \$3.7 million;
\$4.7 million - \$3.7 = \$1.0 million;
- (2) This \$1.0 million is the projected state cost for FY 2003.

Career Ladder

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 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 FY 2001, and 15% estimated maintenance costs for FYs 2002 and 2003. Additionally, an 8% project management fee is needed for FY 2001.

ASSUMPTION (continued)

Excellence in Education Fund

If the salary supplement is not fully funded then provision for prorating teacher salary supplements is made. However, for purposes of this fiscal note, 100% funding of the supplement is assumed.

Salary Level Increase Provision

Minimum salary levels are increased by \$1,000 in the second fiscal year following the fiscal year in which the state cost of state funding of minimum salaries is 85% or less than the amount of state funding required for the first year. These impacts are not expected to occur until after FY 2003.

Estimate of District Expense for Retirement Match

Districts will be responsible for a 10.5% retirement match. Estimates for these amounts are calculated from the FY 2002 estimate for salary supplements generated in the state impact portion of the fiscal note.

FY 2002 \$4.7 million X 10.5% = \$493,500
FY 2003 \$1.0 million X 10.5% = \$105,000

This amount is also used for FY 2003; however, as schools increase their salary schedules, the retirement impacts directly attributable to this bill will decline.

The **Oversight Division** has calculated school districts' fringe benefits at 18.37% to include retirement, FICA, unemployment and worker's compensation on the salary increases. Therefore, the local school districts' fiscal impact for fringe benefits would be \$4.7 million X 18.37% = \$863,390.

The **Oversight Division** has included the salary increase of \$4.7 million as an annual cost to school districts for FY 2002 and 2003.

Alternative Schools Serving Nonresident students (2551-01):

Potentially increases the cost to fund the state aid formula at 1.00 because the district with the alternative school may receive more state aid per eligible pupil than the district of residence. While there is a potential increased cost to the state aid formula, the cost is unknown.

Textbook Fund (2380-01):

No impact.

ASSUMPTION (continued)

Extended Repayments (2514-03):

No additional cost to the state aid formula. There is a delay to the redistribution of the overpayment money to the other districts. Those districts would have received that money initially if the other districts' data had been accurate.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
STATE SCHOOL MONEYS FUND			
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
State Aid-Line 14	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
State Aid-Violence Prevention	(GREATER THAN \$100,000)	(GREATER THAN \$100,000)	(GREATER THAN \$100,000)
State Aid-Voluntary Transfer Students	(LESS THAN \$100,000)	(LESS THAN \$100,000)	(LESS THAN \$100,000)
State Aid-Alternative Education	(GREATER THAN \$100,000)	(GREATER THAN \$100,000)	(GREATER THAN \$100,000)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	(GREATER THAN <u>\$2,200,000</u>)	(GREATER THAN <u>\$2,200,000</u>)	(GREATER THAN <u>\$2,200,000</u>)
GENERAL REVENUE FUND			
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Programming	(\$27,000)	(\$3,750)	(\$3,863)
Transfer to Excellence in Education Fund	\$0	(\$4,700,000)	(\$1,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(<u>\$27,000</u>)	(<u>\$4,703,750</u>)	(<u>\$1,003,863</u>)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
EXCELLENCE IN EDUCATION FUND			
<u>Income-Department of Elementary and Secondary Education (DESE)</u>			
Transfer from General Revenue Fund	\$0	\$4,700,000	\$1,000,000
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Salary Supplements to School Districts	\$0	(\$4,700,000)	(\$1,000,000)
ESTIMATED NET EFFECT ON 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
SCHOOL DISTRICTS			
<u>Income-School Districts</u>			
State Aid-Line 14	\$2,000,000	\$2,000,000	\$2,000,000
State Aid - Violence Prevention	GREATER THAN \$100,000	GREATER THAN \$100,000	GREATER THAN \$100,000
State Aid-Voluntary Transfer Students	LESS THAN \$100,000	LESS THAN \$100,000	LESS THAN \$100,000
State Aid-Alternative Education	GREATER THAN \$100,000	GREATER THAN \$100,000	GREATER THAN \$100,000
Salary Supplements	<u>\$0</u>	<u>\$4,700,000</u>	<u>\$1,000,000</u>
Total <u>Income</u> -School Districts	GREATER THAN \$2,200,000	GREATER THAN \$6,900,000	GREATER THAN \$3,200,000
<u>Cost-School Districts</u>			
Salaries	\$0	(\$4,700,000)	(\$4,700,000)
Fringe Benefits	<u>\$0</u>	<u>(\$863,390)</u>	<u>(\$863,390)</u>
Total <u>Cost</u> -School Districts	\$0	(\$5,563,390)	(\$5,563,390)

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	GREATER THAN <u>\$2,200,000</u>	GREATER THAN <u>\$1,336,610</u>	LESS THAN <u>(\$2,363,390)</u>

A redistribution of funding related to estimating eligible pupils could result to school districts.

FISCAL IMPACT - Small Business

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

DESCRIPTION

Recalculated Levy

In the calculation of school district state aid, the proposal would remove the exceptions regarding tax rate adjustments due to reassessment.

An increase in the payment amount of line 14 (a) of the school foundation formula would be made by DESE if needed to ensure that a school district would receive no less total revenue from lines 14 (a) and 14 (b) than the district would receive if it levied an operating levy no greater than \$2.75 per one hundred dollars assessed valuation.

School Violence

The proposal would create a categorical add-on in the school foundation formula for violence prevention programs. The state aid for these programs would be 75% of the program costs.

Voluntary Transfer Students

Beginning with the 2000-2001 school year, the eligible pupil number used in the state aid calculation would exclude voluntary transfer students, and the 1997-1998 line 14 total amount and amount per pupil would be recalculated to exclude the voluntary transfer students originally in the calculation. Beginning with the 2000-2001 school year, for any district with voluntary transfer students in 1997-1998, the current year per eligible pupil payment amount would not be less than the previous year per eligible pupil payment amount.

DESCRIPTION (Continued)

Teacher Minimum Salaries

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 2001-2002 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.

Alternative Education

For the purposes of determining state aid, a nonresident student enrolled by contract in alternative education services may be counted, at the election of the serving school district, as a resident pupil.

Textbook Fund Expenditures

The proposal would allow school districts to expend either textbook fund moneys or incidental fund moneys to provide computer software or any computer equipment necessary to use such software for all the pupils, provided that such computer equipment costs less than \$500.

Estimating Eligible Pupils

The proposal applies to any error made in the apportionment of state aid due to a difference between the actual number of eligible pupils and the estimated number of pupils to any school district which has, for at least five years immediately preceding the year in which an error in estimating the number of eligible pupils is discovered, adopted a school calendar for twelve months. If the amount paid exceeds the amount to which the district was actually entitled by more than five percent, then the excess plus accrued interest would be deducted over a period specified by the district, but not longer than 60 months. Current law requires the deduction to be made the next succeeding year. This section of the proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
St. Louis Special School District
Public School Retirement System
Non-Teacher School Employee Retirement System
Joint Committee on Public Employee Retirement
Secretary of State's Office



Jeanne Jarrett, CPA
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April 11, 2000