

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3171-03
BILL NO.: SCS For SB 748
SUBJECT: Education, Elementary and Secondary: Teachers
TYPE: Original
DATE: April 3, 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 \$8,300,000)	(\$0 to \$4,700,000)	(\$0 to \$1,000,000)
Excellence in Education Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$27,000 to \$8,327,000)	(\$3,750 to \$4,703,750)	(\$3,863 to \$1,003,863)
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	(\$0 to \$1,524,710)	(\$0 to \$5,124,710)	(\$0 to \$8,824,710)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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. However, Gaming Commission officials estimated increases in adjusted gross receipts and admission fees from FY 2000 to FY 2001 to be approximately \$1,933,404 and \$5,846,519, respectively.

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:

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)

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) This is the first year in which the salary schedule will be in effect. Therefore, \$8.3 million is the projected state cost for FY 2001. This assumes approval of a supplemental appropriation.

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) The projected state cost for FY 2002 is \$4.7 million;
- (3) This amount is less than 85% of the state funding cost for the first year of the proposal, therefore salary brackets will be increased by \$1,000 in FY 2004.

ASSUMPTION (continued)

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 2002.

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.

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 full-funding cost for the first school year of the state funding of minimum salaries. These impacts are not expected to occur until after FY 2004.

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 2001 estimate for salary supplements generated in the state impact portion of the fiscal note.

FY 2001 \$8.3 million X 10.5% = \$871,500
FY 2002 \$4.7 million X 10.5% = \$493,500
FY 2003 \$1.0 million X 10.5% = \$105,000

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ASSUMPTION (continued)

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 \$8.3 million X 18.37% = \$1,524,710

The **Oversight Division** has included the salary increase of \$8.3 million as an annual cost to school districts for FY 2001, 2002 and 2003.

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 appointed 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 163.172.5 of the proposal. Oversight has ranged DESE's estimated costs from zero, since the funding would depend on increases from FY 2000.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Programming	<u>(\$27,000)</u>	<u>(\$3,750)</u>	<u>(\$3,863)</u>
GAMING PROCEEDS FOR EDUCATION FUND OR GAMING COMMISSION FUND OR LOTTERY PROCEEDS FOR EDUCATION FUND			
<u>Cost-Gaming Proceeds for Education Fund or Gaming Commission Fund or Lottery Proceeds for Education Fund</u>			
Transfer to Excellence in Education Fund	<u>(\$0 to \$8,300,000)</u>	<u>(\$0 to \$4,700,000)</u>	<u>(\$0 to \$1,000,000)</u>
EXCELLENCE IN EDUCATION FUND			
<u>Income-Department of Elementary and Secondary Education (DESE)</u>			
Transfer from Gaming Proceeds for Education Fund or Gaming Commission Fund or Lottery Proceeds for Education Fund	\$0 to \$8,300,000	\$0 to \$4,700,000	\$0 to \$1,000,000
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Salary Supplements to School Districts	(\$0 to \$8,300,000)	(\$0 to \$4,700,000)	(\$0 to \$1,000,000)
ESTIMATED NET EFFECT ON EXCELLENCE IN EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>	(10 Mo.)		
SCHOOL DISTRICTS			
<u>Income-School Districts</u>			
Salary Supplements	\$0 to \$8,300,000	\$0 to \$4,700,000	\$0 to \$1,000,000
<u>Cost-School Districts</u>			
Salaries	(\$0 to \$8,300,000)	(\$0 to \$8,300,000)	(\$0 to \$8,300,000)
Fringe Benefits	(\$0 to \$1,524,710)	(\$0 to \$1,524,710)	(\$0 to \$1,524,710)
Total <u>Cost-School Districts</u>	(\$0 to \$9,824,710)	(\$0 to \$9,824,710)	(\$0 to \$9,824,710)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	(\$0 to <u>\$1,524,710</u>)	(\$0 to <u>\$5,124,710</u>)	(\$0 to <u>\$8,824,710</u>)

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.

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.

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DESCRIPTION (Continued)

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
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