

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3398-02
Bill No.: SB 934
Subject: Education, Elementary and Secondary: Teachers
Type: Original
Date: March 6, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Minimum Teachers Salary Fund	\$0	\$0	\$15,361,229
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	\$0	\$15,361,229

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
School Districts	(\$0 to \$9,236,746)	(\$0 to \$9,236,746)	(\$0 to 6,259,740)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** stated that this proposed legislation will have no effect on their agency.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 4 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 \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$246 for FY 2003. 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of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.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 Public Safety - Gaming Commission** stated that this legislation will not affect the operations of the Gaming Commission. Projected revenue is based on estimated admissions to excursion gambling boats of \$47,661,299. The fees would be deposited to a newly created "Minimum Teacher's Salary Fund".

Officials of the **Department of Elementary and Secondary Education (DES)** provided estimates of the salary supplement which would have been required had the proposal been in effect for the 2001-02 school year:

Baccalaureate

0-5 yrs	\$26,500	\$13,805,848	(6,002 FTE)
6-19 yrs	\$31,000	\$19,472,464	(5,831 FTE)
greater than 19 yrs	\$36,500	\$11,967,054	(2,583 FTE)

Masters or equivalent

greater than 10 yrs	\$36,500	\$ 9,394,493	(2,499 FTE)
greater than 19 yrs	\$41,500	\$ 8,124,172	(1,611 FTE)
greater than 24 yrs	\$46,500	<u>\$18,252,521</u>	(2,639 FTE)

TOTAL STATE SUPPLEMENT \$81,016,552 (If these levels had been applicable for FY02)
ASSUMPTION (continued)

FY 2003 Estimate

Approximate local cost in FY02 = \$637 million
Approximate state cost in FY02 = \$ 81 million
State average increase in teachers salaries = approximately 2.5%

$\$637M \times 2.5\% = \$16M$ likely increase in local salary cost due to typical adjustment in districts' salary schedules.

The \$16M local increase could be a \$16M state decrease resulting in an approximate state supplement cost in FY03 of \$65M (\$81M - \$16M).

FY 2004 Estimate

Approximate local cost in FY03 = \$653 million
Approximate state cost in FY03 = \$ 65 million
State average increase in teachers salaries = approximately 2.5%

$\$653 \times 2.5\% = \$16M$ likely increase in local salary cost due to typical adjustment in districts' salary schedules.

The \$16M local increase could be a \$16M state decrease resulting in an approximate state supplement cost in FY04 of \$49M (\$65M - \$16M).

FY 2005 Estimate

Approximate local cost in FY04 = \$669 million
Approximate state cost in FY04 = \$ 49 million
State average increase in teachers salaries = approximately 2.5%

$\$669 \times 2.5\% = \$16.7M$ likely increase in local salary cost due to typical adjustment in districts' salary schedules.

The \$16.7M local increase could be a \$16.7M state decrease resulting in an approximate state supplement cost in FY05 of \$32.3M (\$49M - \$16.7M).

DESE further assumes that for FY03 and beyond the additional dollars needed will change for the following reasons:

- (a) the number of teachers in each bracket will change due to retirements;
- (b) teachers will gain additional experience and may qualify in a different bracket;

ASSUMPTION (continued)

- (c) teachers may find other employment and the replacement teachers may be in a different

bracket; and

(d) school boards may increase their teacher salary schedules which may cause the state portion of the salary supplement to decrease. The amount of this reduction is not known but was predicted in the above calculation.

DESE also assumes that proposed Section 163.172.6 appears to make it optional rather than mandatory for a district to participate in the minimum salary levels as well as the state funding supplements. If that is the case, a district could continue with the existing \$18,000 minimum and \$24,000 minimum for a teacher with 10 years public experience and a master's degree.

The increased Public School Retirement System contribution by the district would be a local cost but could be significant for some districts. The employer match percentage is 10.5. The estimate of the district expense for retirement match is:

FY 2003	\$65,000,000	x 10.5%	=	\$6,500,000
FY 2004	\$49,000,000	x 10.5%	=	\$5,145,000
FY 2005	\$32,300,000	x 10.5%	=	\$3,391,000

In addition to the state and local costs described above, some districts may incur other costs in order to meet the criteria necessary to receive the minimum salary supplement.

DESE officials indicate that a program would 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 would incur an IT impact estimated to be \$25,750 in its first year, and 15% estimated maintenance costs for FY 2003 and 2004. Additionally, OIT requires an 8% project development fee for the first year.

Oversight calculated fringe benefits at 19.38% to include retirement, FICA, unemployment and worker's compensation on the salary increases. Therefore, school districts' cost for fringe benefits would have been $\$81,016,552 \times .1938 = \$15,701,008$ had the proposal been in effect in FY 2002. Oversight included the net salary increase due to this proposal as an annual cost to school districts beginning in the 2002-03 school year. Costs are ranged because districts have the option to participate in the program.

Oversight assumes the funding for the salary supplement would be limited to the funds received from the increase in gaming boat admission fees. If the General Assembly would choose to fully fund the salary supplement, the additional funds needed from General Revenue would total approximately \$17,338,000 in FY 03 and \$1,338,000 in FY 04. In FY 05 revenues from the increased admission fees should fully fund the salary supplement.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
MINIMUM TEACHER SALARY FUND			
<u>Income</u> - Excursion Gambling Admissions	\$47,661,299	\$47,661,229	\$47,661,229
<u>Cost</u> - Distributions to School Districts	(\$47,661,229)	(\$47,661,229)	(\$32,300,000)
ESTIMATED NET EFFECT ON MINIMUM TEACHER SALARY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$15,361,229</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
SCHOOL DISTRICTS			
<u>Income</u> - Aid from Minimum Teacher Salary Fund	\$0 to \$47,661,229	\$0 to \$47,661,229	\$0 to \$32,300,000
<u>Cost</u> - Increased Salaries	(\$0 to \$47,661,229)	(\$0 to \$47,661,229)	(\$0 to \$32,300,000)
<u>Cost</u> - Fringe Benefits	(\$0 to \$9,236,746)	(\$0 to \$9,236,746)	(\$0 to \$6,259,740)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>(\$0 to \$9,236,746)</u>	<u>(\$0 to \$9,236,746)</u>	<u>(\$0 to \$6,259,740)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposed legislation revises minimum teacher salaries and creates funding for the new minimum amounts. The current minimum salary provisions for teachers require salaries to be no less than \$18,000 for any full-time teacher and no less than \$24,000 for full-time teachers with a Master's degree and at least ten years of public school teaching experience. The current minimum salary provisions shall remain in effect.

DESCRIPTION (continued)

LMD:LR:OD (12/00)

The proposal creates a new, voluntary 5-level minimum salary program for teachers, funded by a separate appropriation from the Minimum Teacher's Salary Fund, as follows:

\$26,500 for 5 or less years' experience; \$31,500 for Master's (or higher) + 6-10 years or Bachelor's + 6-19 years); \$36,500 for Bachelors + 20 or Master's (or higher) + 11-19 years; \$41,500 for Master's (or higher) + 20-29 years; \$46,500 for Master's (or higher) + 30 or more years.

Eligibility requirements for state minimum salary payments under the new program are established as follows:

- (a) Maintain an operating levy no lower than the rate for the 2000-01 school year except as required under reassessment;
- (b) No increase in a voluntary rollback;
- (c) No illegal transfers for capital purposes;
- (d) Employ all teachers under board policy and salary schedule;
- (e) Place new teachers (with experience in other districts) on salary schedule using all of the new teacher's public school teaching experience;
- (f) Pay returning teachers no less than they were paid the previous year (on an FTE basis).

State payments to a district will be reduced if the district's extra duty pay is more than 8.5% or if end-of-year operating balances are over 15%.

State minimum salary levels will be increased by \$1,000 when state cost decreases to 85% of the full funding amount of the first year's cost.

Expenditure of state minimum salary revenues shall not be counted toward compliance with teacher salary expenditure requirements under Section 165.016, RSMo.

State payments shall be funded from the Minimum Teacher's Salary Fund which is created. The fund will consist in moneys transferred from a \$1 increase in gaming boat boarding fees.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. **The proposal would affect Total State Revenue.**

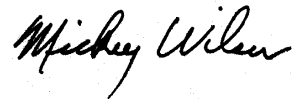
SOURCES OF INFORMATION

Department of Elementary and Secondary Education

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Department of Public Safety
Gaming Commission
Office of State Treasurer
Office of Secretary of State
Administrative Rules Division

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
March 6, 2002