

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0538H.01I
 Bill No.: HB 439
 Subject: Education, Elementary and Secondary; Teachers; Elementary and Secondary
 Education, Dept. of
 Type: Original
 Date: February 22, 2021

Bill Summary: This proposal allows school districts to issue school district teaching permits for persons without a certificate of license to teach granted by the state board of education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*School districts that employ persons to whom they have issued district-issued teaching permits to teach students may receive a reduced state funding if this would reduce the call to the foundation funding formula – resulting in a potential savings to the state that could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	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 2022	FY 2023	FY 2024
Local Government	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume there could be a fiscal impact; however, that impact is unknown at this time. The department has no way to predict the number of school districts that would issue teaching permits.

Upon further inquiry, **DESE** indicated this could potentially reduce the call to the foundation formula for districts that hire non-certificated staff to teach. Based on the statutory description of minimum school day in section 160.041 and the statutory description of teacher in sections 168.011 and 168.081 requiring a valid certificate of license, students under the direction of an individual with a school district issued permit may not count toward the calculation of average daily attendance (ADA) in section 163.011.

Oversight will show a range of impact of \$0 (no districts issue teaching permits) to an unknown cost avoidance to the foundation formula. Assuming the average state funding per ADA is \$5,066, Oversight estimates to reach a revenue impact of \$250,000 would require a change of approximately 50 ADA ($\$5,066 * 50 = \$253,300$). Oversight notes a loss of 50 ADA is approximately a 0.01% reduction in total ADA (50/843,650); therefore, Oversight assumes it is possible the cost avoidance could exceed \$250,000.

Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the savings occurring in future years, rather than the years reported. However, since Oversight is unable to determine which year each school district will use in future years to determine the amount of state aid, Oversight will, for purposes of this fiscal note, assume the savings will occur immediately.

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS)** state PSRS membership is automatic, regardless of position, for certificated employees of the covered employers in a position that normally requires the employee to:

1. Work at least 17 hours per week on a regular basis
2. Work at least 600 hours during the school term

The term “certificated” refers to employees who are duly certificated under the law governing the certification of teachers, which is a responsibility of the State Board of Education (SBE) and the Department of Secondary and Elementary Education (DESE).

This bill will allow school districts to issue a district teaching permit to any individual that does not hold currently hold an SBE / DESE-issued teaching certificate. The district teaching permit

allows the holder to teach only in the issuing school district unless another school district also issues permits and recognizes permits issued in this manner as part of their policy.

The bill requires districts to develop a policy listing qualification for this type of teacher which include, at a minimum, an associate's degree and background check.

The number of teachers issued a teaching permit must not exceed 25% of the total number of teachers employed in the district. If an individual is issued a teaching permit and teaches for four years, the SBE may issue a teaching certificate as specified in the bill.

Because individuals who receive this type of "permit" will not be duly certificated under the law governing the certification of teachers, they would not be members of PSRS; they would be enrolled in Public Education Employee Retirement System of Missouri (PEERS). This means that up to 25% of the PSRS teacher workforce could shift to PEERS.

The Systems engage an outside actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. PWC is still working on the completion of a cost statement on HB 439, which we expect will have a negative financial impact to PSRS. As soon as the actuarial statement is completed, we will be updating our fiscal note response to include their analysis and actuarial statement.

In addition to the potential actuarial impact addressed above, there also could be some negative consequences to social security coverage issues related this legislation. In 1956, the members of PSRS voted in a referendum to be excluded from Social Security coverage. Since that time, nearly all members of PSRS have been excluded from Social Security. The Office of Administration – Social Security Administrator is charged with making social security coverage determinations for school district employees. Due to the nature of this bill, we would highly encourage having the Social Security Administrator for Missouri review this bill for the potential impact it would have on social security coverage issues for school district employees.

PSRS/PEERS provide retirement benefits to more than 129,000 active members and nearly 98,000 retired Missouri public school teachers, school employees, and their families. The total invested assets of both PSRS and PEERS were \$51 billion as of December 31, 2020, making the combined entity larger than all other public retirement plans in the state combined, and the 46th largest defined benefit plan in the United States.

Officials from the **Department of Public Safety - Missouri Highway Patrol** 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 agency.

Officials from **Gordon Parks Elementary School** assume there could be fiscal impact to their organization.

Officials from the **High Point R-III School District** assume the proposal will have no fiscal impact on their organization.

Oversight assumes there could be savings to school districts if they are able to issue permits and hire non-certificated teachers at a lower cost than certificated teachers. Oversight will show a range of impact of \$0 (no permits issued or difference in compensation) to an unknown savings from hiring non-certificated teachers.

Oversight received a limited number of 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 the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Cost Avoidance</u> - reduced call to the foundation formula for students no longer counted in average daily attendance	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT OF GENERAL REVENUE	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Revenue Loss</u> - from students no longer counted in average daily attendance	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – potential additional contributions for PSRS/PEERS	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings</u> - from hiring non-certificated teachers	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

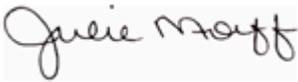
This bill will allow school districts to issue a district teaching permit to any individual that does not hold currently hold a State Board of Education (SBE) issued teaching certificate. The district teaching permit allows the holder to teach only in the issuing school district unless another school district also issues permits and recognizes permits issued in this manner as part of their policy.

The bill requires districts to develop a policy listing qualifications which include, at a minimum, an associates degree and background check. The number of teachers issued a teaching permit must not exceed 25% of the total number of teachers employed in the district. If an individual is issued a teaching permit and teaches for four years the SBE may issue a teaching certificate as specified in the bill.

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
Department of Public Safety - Missouri Highway Patrol
High Point R-III School District
Gordon Parks Elementary School
Public Schools and Education Employee Retirement Systems



Julie Morff
Director
February 22, 2021



Ross Strobe
Assistant Director
February 22, 2021