

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0538H.02P
Bill No.: Perfected HCS for HB 439
Subject: Education, Elementary and Secondary; Teachers; Elementary and Secondary
Education, Department of
Type: Original
Date: April 19, 2021

Bill Summary: This proposal would change provisions concerning authorization to teach in public schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$216,063)	(\$57,114)	(\$57,676)
Total Estimated Net Effect on General Revenue	(\$216,063)	(\$57,114)	(\$57,676)

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

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency 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.

Section 168.029 - Teaching Permits

Officials from **Department of Elementary and Secondary Education** state the department would now be required to issue a teaching certificate based on a permit issued by the school district. This will require the creation of two new applications. ITSD estimates a minimum of \$30,000 - \$35,000 per application for a total estimate of \$70,000.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume the proposal will have no fiscal impact on their organization. The JCPER's review of this proposal indicates that it would not constitute a "substantial proposed change" as defined in 105.660(10), RSMo.

In response to the HCS for HB 439 (2021), officials from the **Public Schools and Education Employee Retirement Systems (PSRS)** stated 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 full-time and part-time employees holding valid Missouri educator certificates issued by the Missouri Department of Elementary and Secondary Education (DESE). The members of PSRS normally do not participate into Social Security, whereas members of PEERS do pay into social security.

HCS of HB 439 adds section 168.021 which governs the certification of licensure to teach in the public schools of Missouri. The school district teaching permit as established under 168.029 must be approved and certificated by the State Board of Education (SBE). These "permitted, certificated" teachers will be members of PSRS.

Section 168.029 allows school districts to issue a teaching permit to individuals who meet certain eligibility requirements as established by the school districts. These "permitted" individuals shall be issued a teaching certificate by the state board of education as provided in section 168.021.

School districts can develop a policy listing qualification for this type of “permitted, certificated teacher” which include, at a minimum, an associate degree and background check.

The number of teachers issued a teaching permit that is certificated 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 State Board of Education may issue a teaching certificate as specified in the bill.

The Systems have an 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 working on an actuarial statement as to the impact of HCS HB 439. As soon as the actuarial statement is completed, PSRS will be updating our fiscal note response to include their analysis and actuarial statement.

The issues that were seen in the original version of HB 439 regarding 218 Social Security Exemption would not be a concern of the Systems as the HCS is currently drafted. 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.

Given that the minimum teacher salary requirements apply to individuals issued permits under this proposal, **Oversight** assumes there would not be a material impact to the retirement system. However, Oversight was unable to receive the actuarial cost statement a timely manner. Oversight has presented this fiscal note on the best current information. Upon the receipt of an actuarial cost statement, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

In response to the HCS for HB 439 (2021), officials from the **Public School Retirement System of the City of St. Louis** stated the House Committee Substitute for House Bill 439 (“HCS HB 439”) contains provisions that concern the Public School Retirement System of the City of St. Louis (“PSRSSTL” or “Retirement System”). HCS HB 439 adds Section 168.029 which allows any school district to issue a school district teaching permit to any individual who does not hold a teaching certificate issued by the state board of education.

Section 168.029.7 states in relevant part that “Any individual issued a teaching permit under this section shall be deemed a teacher for purposes of ... the public school retirement system of Missouri created in section 169.010 to 169.141.”

Section 168.029.7 only references the Public School Retirement System of Missouri, when there are at least three applicable public school retirement systems in Missouri: the Public School Retirement System of Missouri (Sections 169.010 to 169.141); the Kansas City Public School

Retirement System (Sections 169.270 through 169.400); and the Public School Retirement System of the City of St. Louis (Section 169.410 through 169.540).

This is important as HCS HB 439 applies to any school district in Missouri, including those in the City of St. Louis and Kansas City. Thus, the Retirement System believes that HCS HB 439 should be amended in 168.029.7 to include all applicable public school retirement systems, including the Public School Retirement System of the City of St. Louis (Section 169.410 through 169.540).

In response to the HCS for HB 439 (2021), officials from the **Kansas City Public School Retirement System** assumed the proposal would have no fiscal impact on their organization.

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.

In response to the HCS for HB 439 (2021), previous version, officials from **Gordon Parks Elementary School** assumed there could be fiscal impact to their organization.

In response to the HCS for HB 439 (2021), previous version, officials from the **High Point R-III School District** assumed the proposal would have no fiscal impact on their organization.

Oversight notes per subsection 7 “an individual issued a teaching permit under this section shall be deemed a teacher for purposes of minimum salary requirements in section 163.172.” Oversight assumes this proposal would allow districts to hire individuals with lower qualification requirements but maintain the minimum statutory salary requirements.

Section 168.036 Substitute Teachers (HA 3)

Subsection 168.036.4 - officials from **Department of Elementary and Secondary Education** state this section allows the State Board of Education to grant a certificate to any highly qualified individual with certain expertise or experience in the Armed Forces, explained further in the bill, that may not meet any other qualifications if the school board of the seeking school district votes to approve that individual to substitute teach at that district. Doing so would require a new application and process for districts to recommend these individuals at which the department estimates a cost of \$30,000.

Subsection 168.036.7 - currently, substitute certificates expire at the end of four years and may be renewed. The new language in this subsection would allow substitute certificates to expire at any point in time and will have a substantial fiscal impact to the department. The substitute certification process will need to be redesigned to comply with this language as well as a new reporting database will need to be created for districts to notify the department on substitute

statuses. DESE estimates this will cost around \$60,000. The department also estimates an additional FTE for an Administrative Assistant (\$27,960) will be needed as well.

Oversight will show the costs as estimated by DESE.

Oversight notes, per DESE's [website](#), an emergency action passed by the State Board of Education in August 2020 which allowed online training to earn a substitute teacher certificate has expired.

Upon further inquiry, **DESE** stated this proposal would make the online training a permanent option. However, it is important to note that the State Board of Education requested performance data on substitute teachers taking the online training for the purpose of determining whether or not to reintroduce the rule and make the online training option permanent. They are in the process of doing that right now. There are no vendor costs for DESE. The fee is paid by the participant to the vendor. DESE only receives a small certification fee for processing the application and issuing the certificate.

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.

Oversight assumes the online training fee would be paid to the vendor providing the training. Oversight assumes the revenue generated from the certification fee for processing the application and issuing the certificate would be immaterial. Therefore, Oversight will reflect a zero impact on the fiscal note.

In response to a similar proposal, HB 608 (2021), officials from the **Affton 101 School District**, **High Point R-III School District** and the **Springfield R-XII School District** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight does not anticipate a fiscal impact to school districts. However, 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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain within their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs</u> - DESE - ITSD costs for two new applications - §168.029 p. 3	(\$70,000)	\$0	\$0
<u>Costs</u> - DESE - new application and process for district recommendations - §168.036.4 HA 3 p. 5-6	(\$30,000)	\$0	\$0
<u>Costs</u> - DESE - new certification process and database - §168.036.7	(\$60,000)	\$0	\$0
<u>Costs</u> - DESE - §168.036.7			
Personal Service	(\$23,300)	(\$28,240)	(\$28,522)
Fringe Benefits	(\$17,814)	(\$21,471)	(\$21,566)
Expense & Equipment	(\$14,949)	(\$7,403)	(\$7,588)
Total Costs	(\$56,063)	(\$57,114)	(\$57,676)
FTE Change HA 3 p. 5-6	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT OF GENERAL REVENUE	<u>(\$216,063)</u>	<u>(\$57,114)</u>	<u>(\$57,676)</u>
Estimated Net FTE Change for General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Section 168.029 - This bill will allow school districts to issue a district teaching permit to any individual that does not 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, a bachelor's degree and background check. The number of teachers issued a teaching permit must not exceed 15% 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.

Any individual who obtains a teaching permit as described within the bill shall be deemed a teacher for purposes of determining minimum salary, tenure, and retirement.

Section 168.036 - This bill provides a new four year certification method for individuals that want to substitute teach. The State Board of Education will issue certificates with a background check and a sponsorship by a public school district. Applicants for certification must also have at least 36 college hours or have completed a 20 hour online training and have a high school diploma or equivalency. Individuals must also complete a four hour orientation developed by the district that sponsors them.

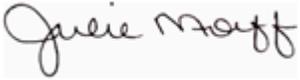
Certificates will expire if the individual fails to substitute teach for at least five days in a calendar year. The bill also requires the Department of Elementary and Secondary Education to develop an online substitute training program with 20 hours of training related to subjects appropriate for substitute teaching.

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

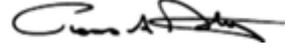
SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Public Safety - Missouri Highway Patrol
High Point R-III School District
Gordon Parks Elementary School
Joint Committee on Public Employee Retirement
Public Schools and Education Employee Retirement Systems
Kansas City Public Schools Retirement System
St. Louis City Public Schools Retirement System
Affton 101 School District

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