

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0710S.02I  
Bill No.: SB 265  
Subject: Boards, Commissions, Committees and Councils; Children and Minors;  
Education, Elementary and Secondary; Education, Higher; Elementary and  
Secondary Education, Department of; Higher Education and Workforce  
Development, Department of; Retirement - Schools; Teachers  
Type: Original  
Date: March 22, 2021

---

Bill Summary: This proposal modifies provisions related to workforce development in elementary and secondary education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	(\$177,248 to Unknown, Up to \$1,177,248)	(Unknown, Could exceed \$182,565)	(Unknown, Could exceed \$188,042)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$177,248 to Unknown, Up to \$1,177,248)</b>	<b>(Unknown, Could exceed \$182,565)</b>	<b>(Unknown, Could exceed \$188,042)</b>

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

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## **FISCAL ANALYSIS**

### ASSUMPTION

#### Section 161.214 School Innovation Waiver

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this provision will have no fiscal impact on their organization.

**Oversight** notes DESE's FY 2022 Budget Book includes a \$1,000,000 Governor's Recommendation from General Revenue to "support school innovation teams in implementing their waivers approved by the State Board of Education".

**Oversight** assumes there could be a cost to implement this program. School districts may have costs related to improving student readiness and job training, increasing teacher compensation, or improving teacher recruitment and development. Oversight will show a range of impact of \$0 (no school districts participate or no additional cost) to an unknown cost to implement the waiver. Oversight assumes the net impact on school districts would be \$0 if distributions cover all costs or negative net impact if implementation costs exceed state distributions.

**Oversight** will show a range of impact to General Revenue of \$0 (no additional cost or not appropriated) to an unknown cost up to \$1,000,000 for FY 22 and an unknown cost in the remaining years to support school innovation teams.

#### Section 167.903, 167.907, 167.908 Free Application for Federal Student Aid

Officials from **Department of Higher Education and Workforce Development (DHEWD)** state the sections of this bill affecting DHEWD begin with Section 167.903 with the creation of an individual career and academic plan, which could result in a plan to pursue educational alternatives after high school.

Section 167.907 impacts DHEWD as every student, in order to graduate high school, must file a Free Application for Federal Student Aid (FAFSA). This will affect the department's FAFSA outreach efforts and will require contractual support for these outreach efforts due to the statewide mandate.

The DHEWD estimates that the equivalent of 3.5 FTE (2080 hours per FTE x 3.5 = 7,280 hrs) will allow the department to contract for 7,280 hours at \$15 per hour for a total of \$109,200 annually.

Contracting out will provide 3,120 more hours of direct outreach activity than would be available by hiring two full-time staff and incurring benefit costs while only realizing 4,160 hours of outreach activity (2 FTE x 2,080 hours= 4,160).

The balance of the funding would be used for related program costs such as travel (\$15k miles x .37=\$5,550), outreach advertising (estimated at \$53,998 based upon state contract pricing), print publications (\$8,500 for outreach print materials). The total for this FAFSA activity will be \$177,248 in the first year with an estimated 3% increase in out years.

Section 167.908 would require the department establish a procedure for providing the means and capability for high school students enrolled in career and technical education programs described under section 170.029 to complete an application for aid through the United States Department of Labor, Employment and Training Administration pursuant to the federal Workforce Innovation and Opportunity Act. The department shall work with school districts that deliver career and technical education programs to educate students on the value of the aid that is available to them through the federal Workforce Innovation and Opportunity Act. The bill also set's certain performance measures the department must meet. The application process for these funds is part of the local work development board processes that already exist. No new state costs will be required and the federal funding is part of an annual allocation to each state from the US Department of Labor. No new increase in FTE are required at this time.

This will bring the total costs for this bill related to the FAFSA requirements to \$177,248 in general revenue for FY22 with a 3% increase each year thereafter. That will result in a total of \$182,565 for FY23 and \$188,042 for FY24.

**Oversight** does not have any information to the contrary. Therefore, Oversight will show the cost as estimated by DHEWD.

#### 168.021 Teacher Certification

Officials from the **DESE** assume this provision will have no fiscal impact on their organization.

#### 169.596 Critical Shortage

Officials from **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. JCPER indicates that Section 169.596 may constitute a “substantial proposed change” in future plan benefits as defined in Section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665, RSMo. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Public Schools and Education Employee Retirement Systems** did not respond to **Oversight's** request for fiscal impact for this proposal. 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.

In response to a similar proposal, HB 812 (2021), officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** assume this legislation makes changes to the critical shortage statute, 169.596 for the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS).

This provision allows retirees to return to work under the Critical Shortage Exemption statute up to four years versus the current two-year restriction. As of 2018-2019, PSRS/PEERS had around 125 retired teachers who have returned to work under the critical shortage statute. Their average earning was approximately \$47,400 for PSRS and around \$17,800 for PEERS.

The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems.

Due to the limiting conditions noted above, PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PSRS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage declaration. Therefore, PWC estimate the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PSRS.

PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PEERS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage declaration. Therefore, PWC estimates the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PEERS.

**Oversight** assumes any fiscal impact resulting from this proposal would be insignificant and therefore will reflect a zero fiscal impact in this fiscal note for the proposed changes.

#### Bill as a whole

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

**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 our office can sustain with our 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
<b>GENERAL REVENUE</b>			
<u>Costs</u> - DESE - § 161.214 to support school districts implementing School Innovation Waivers	\$0 or (Unknown, Up to \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – DHEWD - § 167.907 FASFA outreach contractors, travel, printing & advertising	(\$177,248)	(\$182,565)	(\$188,042)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$177,248 to Unknown, Up to \$1,177,248)</b>	<b>(Unknown, Could exceed \$182,565)</b>	<b>(Unknown, Could exceed \$188,042)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>SCHOOL DISTRICTS</b>			
<u>Costs</u> - to implement School Innovation Waivers (improve student readiness and job training, increase teacher compensation, improve teacher recruitment and development)	\$0 or (Unknown, Could exceed \$1,000,000)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue</u> - distributions to support school districts implementing School Innovation Waivers	\$0 or Unknown, Up to \$1,000,000	\$0 or Unknown	\$0 or Unknown
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

## SCHOOL INNOVATION WAIVERS (Section 161.214)

Under this act, any school intervention team, which shall mean a group of persons representing certain schools as set forth in the act, may submit a state innovation waiver plan to the State Board of Education for certain purposes, including improving student readiness for employment,

higher education, vocational training, technical training, or any other form of career and job training, increasing the compensation of teachers, or improving the recruitment, retention, training, preparation, or professional development of teachers.

A school innovation waiver shall mean a waiver granted by the State Board to certain schools, set forth in the act, in which such schools are exempt from a specific requirement imposed by current law, or any regulations promulgated by the State Board or the Department of Elementary and Secondary Education. Any school innovation waiver granted to a school district or group of school districts shall be applicable to every elementary and secondary school within the school district or group of school districts unless the plan specifically provides otherwise.

Any plan for a school innovation waiver shall include certain information, including the specific provision of law for which a waiver is being requested, and an explanation for why such provision of law inhibits the ability of the school or school district to accomplish the goal stated in the plan. The plan shall also demonstrate that the intent of the law can be addressed in a more effective, efficient, or economical manner and that the waiver or modification is necessary to implement the plan.

In evaluating a plan submitted by a school innovation team, the State Board shall consider whether the plan meets certain criteria set forth in the act. The State Board may propose modifications to the plan in cooperation with the school innovation team.

Any waiver granted under this act shall be effective for no longer than three school years, but school innovation waivers may be renewed. No more than one school innovation waiver shall be in effect with respect to any one elementary or secondary school at one time.

The State Board shall not authorize the waiver of any statutory requirements relating to teacher certification, teacher tenure, or any requirement imposed by federal law. (Section 161.214)

#### STUDENT CAREER AND ACADEMIC PLANS (Section 167.903)

Current law allows any student, prior to his or her ninth grade year at a public or charter school, to develop a personal plan of study with help from the school's counselors, which shall be reviewed regularly, as needed by school personnel and the student's parent or guardian and updated based upon the needs of the student.

Under this act, such students shall be required to develop an individual career and academic plan, rather than a personal plan of study, with his or her school's counselors. Such plan shall be reviewed once per semester by school personnel and the student's parent or guardian.

Each student, prior to the completion of the second semester of his or her twelfth grade year, shall include, as part of such plan, a declaration as to his or her post-secondary plans.

This provision shall become effective on August 28, 2022.



#### FREE APPLICATION FOR FEDERAL STUDENT AID (Section 167.907)

Under this act, no student shall receive a certificate of graduation from any public or private school unless he or she has completed and submitted the Free Application for Federal Student Aid (FAFSA).

A student shall be exempt from such requirement if such student submits to the school a written confirmation of a commitment to enlist in the armed forces or a written document or form signed by the student's parent or guardian, attesting that they understand what the application is and have chosen not to file such application.

This provision shall become effective on August 28, 2022.

This provision is similar to HB 1349 (2020).

#### AID FOR CAREER AND TECHNICAL EDUCATION PROGRAMS (Section 167.908)

The Department of Higher Education and Workforce Development shall, by rule, establish a procedure for providing the means and capability for high school students enrolled in career and technical education (CTE) programs to complete an application for aid through the United States Department of Labor, Employment and Training Administration.

The Department shall work with school districts that deliver CTE programs to educate students on the value of the aid available to them through the federal Workforce Innovation and Opportunity Act, and shall meet certain thresholds set forth in the act.

#### CAREER PATHWAYS SYSTEMS (Section 168.021)

Under current law, certificates of license to teach in the public schools shall be granted by the State Board, which shall issue an initial visiting scholars certificate based on verification from the hiring school district that the applicant will be employed as part of a business-education partnership initiative designed to build career pathways systems for students in a grade or grades not lower than the ninth grade.

This act repeals the requirement that the hiring school district verify that the applicant will be employed as part of a business-education partnership initiative, but rather requires such district to verify that the applicant will be employed to build career pathways systems for students.

This provision is similar to HCS/HB 2435 (2020) and a provision in HCS/SS/SCS/SB 528 (2020).

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI (PSRS) and PUBLIC  
EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI (PEERS) (Section  
169.596)

Current law provides that a retired certificated teacher receiving a retirement benefit from the Public School Retirement System of Missouri (PSRS) may, without losing his or her retirement benefit, teach full time for up to two years for a school district covered by PSRS, provided that no such retired teacher shall be employed as a superintendent. Current law also caps the total number of such teachers to the littlest of ten percent of the total teacher staff for that school district, or five certificated teachers.

Under this act, such teacher may be employed full time for up to four years for a school district covered by PSRS, without losing his or her retirement benefit. This act also repeals the provision prohibiting such teacher from being employed as a superintendent, and repeals the cap on the number of retired certificated teachers that may be employed.

Under this act, a retired certificated teacher receiving a retirement benefit from PSRS may only be employed as a superintendent if he or she has been retired for at least twelve months prior to such employment, unless immediate employment is necessary due to death, disability, or termination for cause of the superintendent who held the position being filled.

Current law also provides that any person receiving a retirement benefit from the Public Education Employee Retirement System of Missouri (PEERS) may, without losing his or her retirement benefit, be employed full time for up to two years for a school district covered by PEERS, provided that the school district has a shortage of noncertificated employees. The total number of retired noncertificated employees shall not exceed the littlest of ten percent of the total noncertificated staff of the school district, or five employees. This act permits such employee to be employed for up to four years, rather than two.

The total number of retired members working for a school district under PSRS or PEERS, including certificated and noncertificated employees, shall not exceed the littlest of ten percent of the total number of employees for that district or ten employees.

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 Higher Education and Workforce Development  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
High Point R-III School District  
Public Schools and Education Employee Retirement Systems

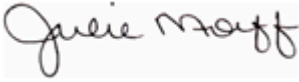
L.R. No. 0710S.02I

Bill No. SB 265

Page **11** of **11**

March 22, 2021

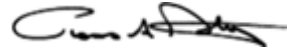
Joint Committee on Public Employee Retirement

A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

March 22, 2021

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

March 22, 2021