

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2294-01  
Bill No.: SB 531  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
 Department; Bonds- Surety; Attorney General; State Treasurer  
Type: Original  
Date: April 22, 2015

Bill Summary: This proposal creates the Missouri Empowerment Scholarship Accounts Program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
State School Money	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Mo Empowerment Scholarship Account*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>

\* Transfers in and costs net to zero.

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 \$100,000 in any Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 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 of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Office of the State Treasurer (STO)** assume this may have a fiscal impact depending on a few considerations. STO interprets the statute as putting these funds into a "State Fund" that the STO is the custodian of (like all state funds) that is invested like all other state funds. Interest would go to the fund. If this is correct, it is unclear how a Program Manager as laid out in the bill would manage the account. Additionally, the bill appears not to allow for funds to leave the State Treasury to be managed by a Program Manager. Additionally, it is unclear where compensation for the Program Manager would be funded from. Finally, if a program manager is ultimately required, since the fund is administered by DESE, it would seem more appropriate that DESE would contract with a program manager rather than the STO.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Office of Prosecution Services (OPS)** assume no measurable impact to OPS. The creation of a new crime creates additional responsibilities for county prosecutors which may in turn result in additional costs which are difficult to determine.

Officials at the **University of Central Missouri** assume the only impact would be from enrollment gains as students could go anywhere. It is not possible to determine a specific impact.

Officials at the **Department of Corrections, Department of Higher Education, Joint Committee on Administrative Rules, Missouri State University, State Technical College of Missouri** and the **University of Missouri** each assume there is no fiscal impact to their respective organization from this proposal.

**Oversight** assumes this proposal creates the Missouri Empowerment Scholarship Account Fund that will receive money from the State School Money Fund. The Account Fund will distribute the money to schools that provide services outlined in this proposal as well as pay the expenses of the Office of the State Treasurer and Department of Elementary and Secondary Education for

ASSUMPTION (continued)

administration of this program. Oversight assumes all money received in the Missouri Empowerment Scholarship Account Fund will be used as proposed and the Fund will net to zero.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**STATE SCHOOL MONEY FUND**

<u>Transfer Out</u> - to Missouri Empowerment Scholarship Account Fund	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEY FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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**MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNT FUND**

<u>Transfer In</u> - from the State School Money Fund	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
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<u>Costs</u> - Missouri Empowerment Scholarship Account Transfers	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
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<u>Costs</u> - State Treasurer administration expenses	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
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<u>Costs</u> - DESE administration expenses	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNT FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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

This act creates the Missouri Empowerment Scholarship Accounts Program. For each qualified student, the Department of Elementary and Secondary Education will deduct an amount equal to ninety percent of the state adequacy target from the student's district of residence's state aid and place this money into an account for the parent to use for certain educational expenses.

A student is eligible to receive funds in a Missouri Empowerment Scholarship Account if he or she meets any of the following criteria: is identified as having a disability under Section 504 of the Rehabilitation Act of 1973; is identified as having a disability, as described in the act; is a child with a disability eligible to receive services under the Individuals with Disabilities Education Act; is a ward of the juvenile court under certain circumstances; or is eligible to begin kindergarten. To be eligible, a student must also have attended a public school as a full-time student for at least the first one hundred days of the prior school year and who transferred from a public school under a contract to participate in the program or previously participated in the program. A child who is eligible to begin kindergarten is exempt from the requirement of prior public school attendance or prior program participation.

The student's parent or guardian may use the money in the account for the following purposes: tuition or fees at a qualified school; textbooks required by a qualified school; educational therapies or services; tutoring services; curriculum; tuition or fees for a nonpublic online learning program; fees for certain standardized tests; contributions to a 529 plan; tuition or fees at an eligible postsecondary institution; textbooks required by an eligible postsecondary institution; fees for management of the empowerment account; services provided by a public school; and insurance or surety bond payments required by the Department of Elementary and Secondary education.

The parent of a qualified student must sign an agreement to provide an education for the student in at least reading, grammar, mathematics, social studies, and science, not enroll the student in a school operated by a district or in a charter school, release the district of residence from the obligation of educating the student, use the Missouri Empowerment Scholarship Account money

FISCAL DESCRIPTION (continued)

for only specified purposes, and not use the funds for computer hardware, transportation, or consumable education supplies. Each account holder must comply with a surety bond requirement, to be established by the Department of Elementary and Secondary Education.

The Department of Elementary and Secondary Education may retain up to five percent of the funds transferred for each student for administration purposes. Of this five percent, one percent will be used to cover the State Treasurer's costs.

The Department of Elementary and Secondary Education must conduct or contract for an annual audit of accounts to ensure compliance. A parent or guardian may be disqualified from program participation, if after a hearing before the Commissioner of Education, the parent or guardian is found to have committed an intentional program violation. The Department may refer cases of substantial misuse of monies to the Attorney General.

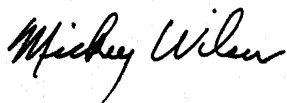
This act creates the offense of savings account fraud, which is a Class A misdemeanor.

This program will sunset after six years unless re-authorized.

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 Corrections  
Department of Higher Education  
Joint Committee on Administrative Rules  
Missouri State University  
Office of the Attorney General  
Office of Prosecution Services  
State Technical College of Missouri  
University of Central Missouri  
University of Missouri



L.R. No. 2294-01  
Bill No. SB 531  
Page 7 of 7  
April 22, 2015

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