

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3706-01  
Bill No.: HB 1733  
Subject: Education, Elementary and Secondary; Tax Credits  
Type: Original  
Date: February 10, 2020

---

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	\$0 up to (\$304,623)	Up to (\$12,503,529) to (\$50,000,000)	Up to (\$12,714,839) to (\$50,845,000)	Up to (\$12,929,720) to (\$51,704,281)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 up to (\$304,623)</b>	<b>Up to (\$12,503,529) to (\$50,000,000)</b>	<b>Up to (\$12,714,839) to (\$50,845,000)</b>	<b>Up to (\$12,929,720) to (\$51,704,281)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 22 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
State School Moneys Fund*	\$0	\$0	\$0	\$0
Missouri Empowerment Scholarship Accounts Fund	\$0 up to \$695,377	\$0 up to \$695,450	\$0 up to \$709,489	\$0 up to \$723,141
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 up to \$695,377</b>	<b>\$0 up to \$695,450</b>	<b>\$0 up to \$709,489</b>	<b>\$0 up to \$723,141</b>

\*Cost avoidance and loss of \$0 to approximately \$38.5 million annually and net \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</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>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	0 - 4 FTE	0 FTE	0 FTE	0 FTE
Missouri Empowerment Scholarships Accounts Fund	0 - 4 FTE	4 FTE	4 FTE	4 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>4 FTE</b>	<b>4 FTE</b>	<b>4 FTE</b>	<b>4 FTE</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>Less than (\$37,496,471)</b>	<b>Less than (\$38,130,161)</b>	<b>Less than (\$38,774,561)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 135.712 - 135.719 and Sections 166.700 - 166.720 - Missouri Empowerment Scholarship Accounts Program

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal creates the Missouri Empowerment Scholarship Accounts Program, which grants scholarships to qualified students. Qualified students are defined as any elementary or secondary student who is a resident of this state and resides in a county with a charter form of government or any city with a population of at least thirty thousand inhabitants.

This proposal provides, to a taxpayer who makes a qualifying contribution to an educational assistance organization, a tax credit not to exceed 50 percent of the taxpayer's state tax liability and may carry the credit forward for four subsequent tax years. This tax credit is capped at \$50 million per calendar year, but this cap is to be annually adjusted by the State Treasurer for inflation, based on the CPI for all urban consumers in the Midwest region. This is assumed to be two percent (2%) for the purposes of this fiscal note. This proposal may reduce General Revenue (GR) and Total State Revenues (TSR) up to a minimum of (\$50 million) annually starting on or after January 1, 2021.

Officials from B&P state this proposed legislation establishes the Missouri Empowerment Scholarship Accounts Fund..

This proposal may impact the calculation under Article X, Section 18(e). The State Treasurer's office is to receive up to two percent of qualifying contributions for marketing and administrative expenses of such program.

**Oversight** assumes any reduction in GR and TSR would be recognized after January 1, 2022 (Fiscal Year 2022) when individuals are first able to file their Tax Year 2021 tax returns claiming the tax credit created under this proposed legislation. GR and TSR could potentially recognize savings in Fiscal Year 2021, or before January 1, 2022, provided donations are made to educational assistance organizations; making readily available funds for scholarships for eligible students and reducing the cost to the state per pupil (\$5,312) [assuming the students are currently enrolled in public schools].

Officials from the **Missouri State Treasurer's Office (STO)** state Sections 135.713 through 135.719 and Sections 166.710 require STO to operate a tax credit program related to donations to scholarship-granting organization.

ASSUMPTION (continued)

STO states they do not operate tax credit programs and does not currently have the resources to absorb these duties. STO anticipates a minimum of four (4) FTE being required to perform the functions noted in the bill; one (1) Director (\$84,925 annually), two (2) analysts (\$39,708 annually) and one (1) clerk (\$24,744 annually).

STO has assigned these costs to the GR as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605 RSMo, which authorizes STO to retain interest to fund the office functions pertaining to the management of state funds. The basis point cap included within this section cannot absorb additional functions without being raised above 15 basis points.

**Oversight** notes STO requires: one (1) Director, two (2) analysts, and one (1) clerk to administer the tax credit program established under this proposed legislation. Oversight notes the STO is usually funded by the State Treasurer's General Operating Fund (0164); however, as mentioned by STO, the State Treasurer's General Operating Fund can not absorb the costs anticipated.

**Oversight** further notes this proposed legislation creates the "Missouri Empowerment Scholarship Accounts Fund". Oversight assumes this fund is created solely for STO's administrative costs. The STO is permitted to deposit no more than two percent of the qualifying contributions to educational assistance programs to the Missouri Empowerment Scholarship Fund for marketing and administering the program. Oversight estimates the STO could receive up to \$1,000,000 ( $\$50,000,000 * 2\%$ ) as early as Fiscal Year 2021 for administrative costs. Oversight assumes STO's maximum two percent from contributions to educational assistance organizations to be used for administrative costs would increase each year with the increase, by inflation, in the cumulative amount of tax credits that may be awarded each year.

**Oversight** notes STO has applied the reported FTE cost to GR. However, Oversight assumes this proposed legislation would allow for no more than two percent of the qualifying contributions to educational assistance organizations to be used by STO for administrative expenses. Thus, for purposes of this fiscal note, Oversight will report the FTE required by STO, but will credit the expense to the Missouri Empowerment Scholarship Accounts Fund beginning in Fiscal Year 2022. Oversight will credit STO's Fiscal Year 2021 administrative costs to GR, ranging from \$0 to the amounts reported by STO.

Oversight notes this proposed legislation does not specify when an educational assistance organization is required to transfer two percent of the amount(s) received through contribution to the STO. If the two percent of the amount(s) contributed to educational assistance organizations is not transferred until after Fiscal Year 2021, or if the amount of donations made to educational assistance organizations does not exceed the cost reported by STO in the last six months of Fiscal Year 2021, the administrative costs are assumed to be paid out of GR.

ASSUMPTION (continued)

**Oversight** estimates the following amount of contributions to educational assistance organizations each year and the corresponding increase to the Missouri Empowerment Scholarship Accounts Fund:

Fiscal Year	Amount of Tax Credits Available	Credit to Missouri Empowerment Scholarship Accounts Fund
2022	\$50,000,000	\$1,000,000
2023	\$50,845,000	\$1,016,900
2024	\$51,704,281	\$1,034,086
2025	\$52,578,083	\$1,051,562
2026	\$53,466,652	\$1,069,333
2027	\$54,370,239	\$1,087,405
2028	\$55,289,096	\$1,105,782
2029	\$56,223,482	\$1,124,470
2030	\$57,173,658	\$1,143,473
2031	\$58,139,893	\$1,162,798

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** assume GR and TSR may be reduced by a range beginning at (\$12,502,654) to (\$50,000,000).

Basic Data:

\$50,000,000 Tax Credit Cap  
 -10% for administration and marketing (\$5,000,000)  
 =\$45,000,000  
 ÷ \$6,375 state adequacy target at full funding  
 = 7,058 maximum number of available scholarships

2018-2019 State Funding	\$4,347,446,561
2018-2019 Regular Term ADA <sup>1</sup>	818,473
Total State Revenue per pupil by regular term ADA	\$5,312

\* ADA - Average Daily Attendance

1. Average daily attendance (ADA) is attendance hours reported per student ÷ hours eligible per student. Enrollment is the number of students formally enrolled in a district who could be in attendance on any given day. ADA is typically slightly lower than the enrollment number. Since state aid is paid based on ADA, the revenue per pupil is calculated by ADA.

ASSUMPTION (continued)

**POSSIBLE SCENARIOS**

**Public School to Private School or Nonresident Public School**

If scholarship recipients are public school students who use the scholarship at a non-public school or a public school outside their district of residence, the cost to the state would be \$12,502,654.

7,058 scholarships  
× \$1,063 (difference between average state funding per pupil and scholarship amount)  
= \$7,502,654  
+\$5,000,000 (costs for administration and marketing subtracted from \$50,000,000)  
**=\$12,502,654**

**Non-public school to non-public school**

If all scholarship recipients go from non-public schools to non-public schools (or are incoming kindergartners who would be going to non-public schools), the cost to the state is \$50,000,000. All of these students would be new inclusions in state support. This scenario assumes that any non-public students using the scholarship meet the requirement of previously being enrolled in public school or are incoming kindergartners who would choose to attend non-public school. (\$6,375 × 7,058) scholarships and administration)

**Proportionate distribution of students from public (87.8%) and non-public (12.2%) all going to non-public** (See enrollment figures in Table 1.)

Total scholarships available - 7,058  
Public - 6,195  
Non-public - 863

Public - \$1,063 per pupil new cost to state (difference between scholarship amount and current average state aid per pupil)  
Non-public - \$6,375 per pupil new cost to state

6,195 × \$1,063 = \$6,584,807  
863 × \$6,375 = \$5,504,493  
= \$12,089,300  
+\$5,000,000 (costs for administration and marketing subtracted from \$50,000,000)  
**TOTAL \$17,089,300**

ASSUMPTION (continued)

The total new cost to the state if a proportionate distribution of students from public and non-public schools use the scholarship at a non-public school = \$17,089,300

This scenario assumes that any non-public students using the scholarship meet the requirement in the legislation of having previous enrollment in public school or are incoming kindergartners.

Table 1. Student population and enrollment

<b>2018 Population</b> estimate ages 5-17		1,007,117
<b>2018-19 K-12 enrollment in public schools</b>	87.80%	881,277
<b>2018-19 Estimated non-public and home school enrollment</b>	12.20%	122,840

**Oversight** notes DESE assumes GR and TSR will be reduced by a range of (\$12,502,654) to (\$50,000,000) annually.

**Oversight** notes DESE used the potential revenues available for scholarships (\$45,000,000) [\$50,000,000 less amounts retained by educational assistance organization and STO for administration costs] and divided such by the state adequacy target (\$6,375) to determine how many scholarships would be available for students. DESE then multiplied the amount of students that could receive a scholarship by the difference between the current State cost per pupil (\$5,312) and the maximum scholarship amount an eligible student could receive (\$6,375) to determine the new cost or expense to the State under the Missouri Empowerment Scholarship Accounts Program.

**Oversight** notes DESE's response includes an estimated impact assuming all participants in the program are current public school students who would use the scholarship to enroll and attend a non-public school or a school outside the school district in which the qualified student resides. DESE estimates this scenario to reduce GR and TSR by \$12,502,654.

In addition, DESE's response includes an estimated impact assuming 87.8% of the participants in the program are current public school students who would use the scholarship to enroll and attend a non-public school and 12.2% of the participants are current non-public school students who would use the scholarship and remain in a non-public school. DESE estimates this scenario would reduce GR and TSR by \$17,089,300.

Lastly, DESE's response assumes if all participants in the program are current non-public school students or incoming kindergarten students who enroll or continue enrollment in non-public schools, GR and TSR would be reduced by (\$50,000,000).



ASSUMPTION (continued)

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation creates a tax credit for taxes due under Chapters 143 and 153 in an amount equal to one hundred percent of contributions made to an educational assistance organization. The amount of tax credit claimed shall not exceed fifty percent of the taxpayer's state tax liability. The tax credits allocated may not exceed \$50 million per calendar year with the amount adjusted annually based on the CPI. The loss to GR is the \$50 million cap in Fiscal Year 2021, \$51,000,000 in Fiscal Year 2022 and \$52,020,000 in Fiscal Year 2023.

**Oversight** notes DOR has used an inflation rate equal to two percent (2%) to determine the maximum amount of tax credits permitted each fiscal year after Fiscal Year 2021.

**Oversight** further notes DOR has stated GR may be reduced by \$50,000,000 in Fiscal Year 2021. Oversight assumes any reduction to GR and TSR will occur once taxpayers begin to claim the tax credit(s) on their Tax Year 2021 tax return, which is not filed until after January 1, 2022 (Fiscal Year 2022).

**DOR** anticipates the proposed legislation will result in an increase significant enough to require the following: one (1) Revenue Processing Technician I (\$24,360 annual salary, \$16,342 fringe benefits, and \$7,388 for equipment and expense) for every 6,000 tax credits redeemed, one (1) Revenue Processing Technician I (\$24,360 annual salary, \$16,342 fringe benefits, and \$7,388 for equipment and expense) for every 7,600 errors or pieces of correspondence generated as a result of this proposed legislation. In addition, DOR requires \$2,000 for forms and programming changes.

**Oversight** notes this proposed legislation allows for a tax credit equal to one hundred percent of the contribution to an educational assistance organization with no cap on the amount a taxpayer may claim on their Missouri tax return, other than it may not exceed 50% of the taxpayer's state tax liability. Oversight does not anticipate the increase in the number of redemptions to require an increase in DOR FTE. Therefore, for purposes of this fiscal note, Oversight will not report a fiscal impact for this organization. Should the increase prove to be significant, though, DOR may seek additional FTE through the appropriations process.

**Oversight** notes, for all tax years beginning on or after January 1, 2021, any taxpayer who makes a qualifying contribution to an educational assistance organization may claim a tax credit against tax due under Chapter 143, excluding Withholding Tax, and Chapter 153 in an amount equal to one hundred percent of the amount the contribution.

ASSUMPTION (continued)

The amount of tax credit claimed may not exceed 50% of the taxpayer's tax liability but, for any amount of tax credit that does exceed the taxpayer's tax liability, may be carried forward to any of the taxpayer's four subsequent tax years.

No tax credit authorized under this section of this proposed legislation may be transferred, sold or assigned.

**Oversight** notes the cumulative amount of tax credits that may be allocated between any and all educational assistance organizations (passed on to the taxpayers) in the first calendar year is fifty million dollars (\$50,000,000) which shall be adjusted annually by the percent change in the Consumer Price Index for All Urban Consumers - Midwest Region.

**Oversight** notes the Missouri State Treasurer shall allocate the tax credits available to educational assistance organizations on a first-come first-serve basis.

**Oversight** estimates the maximum amount of tax credits that may be allocated to educational assistance organizations will increase by 1.69% each year.

**Oversight** assumes the average increase in the Consumer Price Index for All Urban Consumers Midwest Region to be approximately 1.69% (three year average). Oversight reviewed the Consumer Price Index for All Urban Consumers Midwest Region between 2009 and 2019 and calculated the yearly average CPI and then calculated the yearly average percent change. Oversight notes the average increase of 1.69% is the three year average (2017 - 2019); the ten year average (2010 - 2019) is 1.54% and the five year average (2015 - 2019) is 1.08%. For purposes of this fiscal note, Oversight will use the three year average increase of 1.69%.

ASSUMPTION (continued)

<b>Year</b>	<b>CPI - Yearly Average</b>	<b>Yearly Average Percent Change</b>
<b>2009</b>	204.065	
<b>2010</b>	208.046	1.95%
<b>2011</b>	214.743	3.22%
<b>2012</b>	219.100	2.03%
<b>2013</b>	222.170	1.40%
<b>2014</b>	225.425	1.47%
<b>2015</b>	224.210	-0.54%
<b>2016</b>	226.115	0.85%
<b>2017</b>	229.874	1.66%
<b>2018</b>	234.290	1.92%
<b>2019</b>	237.776	1.49%
Three Year Average		1.69%

Therefore, Oversight assumes the maximum amount of tax credits available each year to be:

<b>Calendar Year</b>	<b>Amount of Tax Credits Available (Increased by 1.69% each year)</b>
2021	\$50,000,000
2022	\$50,845,000
2023	\$51,704,281
2024	\$52,578,083
2025	\$53,466,652
2026	\$54,370,239
2027	\$55,289,096
2028	\$56,223,482
2029	\$57,173,658
2030	\$58,139,893

**Oversight** assumes the established cap(s) will be claimed annually. Therefore, Oversight estimate the tax credit would reduce GR and TSR by \$50,000,000 beginning in Fiscal Year 2022. Each fiscal year thereafter, Oversight estimates GR and TSR would be reduced by an amount equal to the preceding year's cap plus 1.69% (equal to the amounts shown above).

ASSUMPTION (continued)

**Oversight** notes the education assistance organizations that receive contributions from taxpayers are required to use at least ninety percent (90%) of the revenues toward scholarships for qualified students. Oversight estimates, for the first year of the program, ninety percent of the total contributions would equal \$45,000,000 ( $\$50,000,000 * 90\%$ ). The amount that may be disbursed to each qualifying students scholarship account may not exceed the state adequacy target (\$6,375).

**Oversight** notes there are various scenarios that would produce different impacts to GR and TSR. Oversight will provide two scenarios; one that reports the smallest impact and one that reports the largest impact to GR and TSR.

Scenario One - Smallest Impact to GR and TSR

**Oversight** notes, if \$45,000,000 is available for scholarships in the first year of the program, the minimum number of scholarships that could be awarded to qualifying students totals 7,058 ( $\$45,000,000 / \$6,375$ ).

**Oversight** assumes, if the state funding for the 7,058 students is no longer recognized, as these students would be required to enroll and attend a private school or a public school outside the school district in which the qualified student resides, GR and TSR would recognize a savings equal to \$37,496,471 ( $\$5,312$  [state cost per pupil] \* 7,058). The savings recognized from the state funding of the 7,058 students, in conjunction with the \$50,000,000 available in tax credits (max), would result in a net reduction to GR and TSR equal to (\$12,503,529) [ $\$37,496,471 - \$50,000,000$ ].

**Oversight** notes this is the smallest impact to GR and TSR as the estimated savings assumes **all** participating students are currently enrolled in public school who would use the scholarship funds to enroll in non-public school or a school in a district outside the school district in which the qualified student resides.

**Oversight** further notes the \$50,000,000 available in tax credits is subject to increase annually by inflation. Oversight notes this will change the smallest impact to GR and TSR reported above on an annual basis. Oversight provides the following estimated net reduction(s) to GR and TSR for each fiscal year, provided this assumption is accepted.

ASSUMPTION (continued)

Fiscal Year	Net Reduction of GR and TSR*
2022	(\$12,503,529)
2023	(\$12,714,839)
2024	(\$12,929,720)
2025	(\$13,148,232)
2026	(\$13,370,437)
2027	(\$13,596,398)
2028	(\$13,826,177)
2029	(\$14,059,839)
2030	(\$14,297,450)
2031	(\$14,539,077)

\*The impact to GR and TSR is dependent on several objects: 1) the amount contributed to educational assistance organizations, 2) the actual participation rate in the program, 3) the current enrollment status of qualifying students (public school/non-public school, incoming kindergarten student), and 4) the actual amount of scholarship awarded to each qualifying student.

Scenario Two - Highest Impact to GR and TSR

**Oversight** notes, if **all** participating qualified students are currently enrolled in non-public schools or schools outside the district in which the qualified student resides or an incoming kindergartner, and receives scholarships under this proposed legislation to attend a non-public school, GR and TSR would experience a net reduction equal to \$50,000,000 (max amount available in tax credits).

Oversight notes the \$50,000,000 available in tax credits is subject to increase annually by inflation. Oversight notes this will change the largest impact to GR and TSR reported above on an annual basis. Oversight provides the following estimated net reduction(s) to GR and TSR for each fiscal year, provided this assumption is accepted.

ASSUMPTION (continued)

Fiscal Year	Net Reduction of GR and TSR*
2022	\$50,000,000
2023	\$50,845,000
2024	\$51,704,281
2025	\$52,578,083
2026	\$53,466,652
2027	\$54,370,239
2028	\$55,289,096
2029	\$56,223,482
2030	\$57,173,658
2031	\$58,139,893

\*The impact to GR and TSR is dependent on several objects: 1) the amount contributed to educational assistance organizations, 2) the actual participation rate in the program, 3) the current enrollment status of qualifying students (public school/non-public school, incoming kindergarten student), and 4) the actual amount of scholarship awarded to each qualifying student.

For purposes of this fiscal note, Oversight will report Oversight's estimates to GR and TSR.

**Oversight** notes this proposed legislation would allow for the deposit of two percent (2%) of the total amount of contributions made to educational assistance organizations into the Missouri Empowerment Scholarship Accounts Fund. Oversight assumes this fund is created solely for STO's administrative costs. Oversight estimates the STO could receive up to \$1,000,000 (\$50,000,000 \* 2%) as early as Fiscal Year 2021 for administrative costs. Oversight assumes STO's maximum two percent from contributions to educational assistance organizations to be used for administrative costs would increase each year with the increase, by inflation, in the cumulative amount of tax credits that may be awarded each year.

Oversight estimates the following amount of contributions to educational assistance organizations each year and the corresponding increase to the Missouri Empowerment Scholarship Accounts Fund:

ASSUMPTION (continued)

Calendar Year	Amount of Tax Credits Available	Debit to Missouri Empowerment Scholarship Accounts Fund
2021	\$50,000,000	\$1,000,000
2022	\$50,845,000	\$1,016,900
2023	\$51,704,281	\$1,034,086
2024	\$52,578,083	\$1,051,562
2025	\$53,466,652	\$1,069,333
2026	\$54,370,239	\$1,087,405
2027	\$55,289,096	\$1,105,782
2028	\$56,223,482	\$1,124,470
2029	\$57,173,658	\$1,143,473
2030	\$58,139,893	\$1,162,798

For purposes of this fiscal note, Oversight will report the estimated increase and decrease (transfer-in/transfer-out) to the Missouri Empowerment Scholarship Accounts Fund as estimated by Oversight.

**Oversight** notes local public school districts could experience a savings equal to an unknown amount due to the transfer of students to non-public schools or schools outside the school district the qualified student resides. Oversight assumes some expenditures of local school districts, though, are fixed costs and may not change even as students transfer.

Furthermore, local political school districts could experience a loss of state funding due to the decreased ADA for the students who transferred.

For the purposes of this fiscal note, Oversight will report a positive unknown fiscal impact to local political school districts and a loss ranging from \$0 to the estimated savings GR and TSR would recognize from students transferring from public schools to non-public schools or schools outside the district in which the qualified student resides.

Officials from the **Missouri Attorney General’s Office (AGO)** assumes that any additional litigation costs arising from this proposal can be absorbed with existing personnel and resources, however, the AGO may seek additional appropriations if there is a significant increase in litigation.

ASSUMPTION (continued)

**Oversight** notes the AGO assumes it can absorb the responsibilities of any additional litigation that may arise from this proposed legislation. However, if the increase in litigation is significant, the AGO may seek additional appropriation through the appropriation process.

**Oversight** notes the **Missouri State Public Defender's Office**, the **Missouri Department of Public Safety - Highway Patrol Division**, the **Office of Administration**, the **Missouri Office of State Courts Administrator**, the **Missouri Department of Higher Education and Workforce Development**, the **Missouri State Auditor's Office**, the **Missouri Department of Commerce and Insurance**, the **Missouri Department of Social Services**, and the **Missouri Office of Prosecution Services** has stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

**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.



**FISCAL IMPACT -**  
**State Government**  
**GENERAL**  
**REVENUE FUND**

Revenue Reduction -  
Section 135.713 -  
 Tax credit for  
 donations to  
 educational  
 assistance  
 organizations - p. 10

	FY 2021	FY 2022	FY 2023	FY 2024
		Up to	Up to	Up to
	\$0	(\$50,000,000)	(\$50,845,000)	(\$51,704,281)

Savings/Cost  
Avoidance - Section  
 135.714 - State  
 Schools Money  
 Fund transfers  
 decreased due to  
 transfer of qualified  
 students - p. 11 & 12

	\$0	\$0 to \$37,496,471	\$0 to \$38,130,161	\$0 to \$38,774,561
--	-----	------------------------	------------------------	------------------------

Costs - Section  
 135.713 - 135.719 -  
 166.710 - STO  
 Administrative Costs  
 - p. 4 & 5

Personal Services	\$0 up to (\$157,571)	\$0	\$0	\$0
Fringe Benefits	\$0 up to (\$90,052)	\$0	\$0	\$0
Equipment and Expense	\$0 up to (\$57,000)	\$0	\$0	\$0
<u>Total Cost</u>	<u>\$0 up to</u> <u>(\$304,623)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FTE Change - STO	0 to 4 FTE	0 FTE	0 FTE	0 FTE

**ESTIMATED NET**  
**EFFECT ON**  
**GENERAL**  
**REVENUE FUND**

	<u>\$0 up to</u>	<u>Up to</u>	<u>Up to</u>	<u>Up to</u>
	<u>(\$304,623)</u>	<u>(\$12,503,529) to</u>	<u>(\$12,714,839) to</u>	<u>(\$12,929,720) to</u>
		<u>(\$50,000,000)</u>	<u>(\$50,845,000)</u>	<u>(\$51,704,281)</u>

**FISCAL IMPACT -**  
**State Government**  
 (continued)

	FY 2021	FY 2022	FY 2023	FY 2024
<b>STATE SCHOOL MONEYS FUND</b>				
<u>Cost Avoidance -</u> Section 135.714 - General Revenue Decreased ADA for transfer of qualified students	\$0	\$0 to \$37,496,471	\$0 to \$38,130,161	\$0 to \$38,774,561
<u>Loss - Section</u> 135.714 - Schools Decreased ADA for transfer of qualified students	\$0	\$0 to <u>(\$37,496,471)</u>	\$0 to <u>(\$38,130,161)</u>	\$0 to <u>(\$38,774,561)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOLS MONEY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT -  
State Government

(continued)                      FY 2021                      FY 2022                      FY 2023                      FY 2024

**MISSOURI  
EMPOWERMENT  
SCHOLARSHIP  
ACCOUNTS  
FUND**

Revenue Gain -  
Section 135.714 -  
2% donations to  
educational  
assistance  
organizations  
transferred to STO

\$0 up to \$1,000,000	\$0 up to \$1,016,900	\$0 up to \$1,034,086	\$0 up to \$1,051,562
--------------------------	--------------------------	--------------------------	--------------------------

Costs - Section  
135.713 - 135.719  
and Section 166.710  
- STO  
Administrative Costs  
- p. 4 & 5

Personal Services	\$0 up to (\$157,571)	\$0 up to (\$190,976)	\$0 up to (\$192,886)	\$0 up to (\$194,813)
Fringe Benefits	\$0 up to (\$90,052)	\$0 up to (\$108,638)	\$0 up to (\$109,220)	\$0 up to (\$110,777)
Equipment and Expense	\$0 up to (\$57,000)	\$0 up to (\$21,836)	\$0 up to (\$22,491)	\$0 up to (\$22,831)
Total Cost	<u>\$0 up to (\$304,623)</u>	<u>\$0 up to (\$321,450)</u>	<u>\$0 up to (\$324,597)</u>	<u>\$0 up to (\$328,421)</u>
FTE Change	0 to 4 FTE	0 to 4 FTE	0 to 4 FTE	0 to 4 FTE

**ESTIMATED NET  
EFFECT ON  
MISSOURI  
EMPOWERMENT  
SCHOLARSHIP  
ACCOUNTS  
FUND**

<u>\$0 up to \$695,377</u>	<u>\$0 up to \$695,450</u>	<u>\$0 up to \$709,489</u>	<u>\$0 up to \$723,141</u>
--------------------------------	--------------------------------	--------------------------------	--------------------------------

FISCAL IMPACT -  
Local Government

	FY 2021	FY 2022	FY 2023	FY 2024
--	---------	---------	---------	---------

**LOCAL PUBLIC  
 SCHOOL  
 DISTRICTS**

Savings - Section  
 135.714 - School  
 Districts - Transfer  
 of qualified students  
 out of school district  
 or to non-public  
 school

	<u>\$0</u>	Unknown	Unknown	Unknown
--	------------	---------	---------	---------

Loss - Section  
 135.714 - state  
 funding Schools  
 decreased ADA for  
 transferred students

	<u>\$0</u>	<u>\$0 to</u> <u>(\$37,496,471)</u>	<u>\$0 to</u> <u>(\$38,130,161)</u>	<u>\$0 to</u> <u>(\$38,774,561)</u>
--	------------	--	--	--

**ESTIMATED NET  
 EFFECT ON  
 LOCAL PUBLIC  
 SCHOOL  
 DISTRICT FUNDS**

	<u>\$0</u>	<u>Less than</u> <u>(\$37,496,471)</u>	<u>Less than</u> <u>(\$38,130,161)</u>	<u>Less than</u> <u>(\$38,774,561)</u>
--	------------	---	---	---

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that makes a contribution to an educational assistance organization as they could receive a tax credit to reduce their state tax liability. (Section 135.713)

FISCAL DESCRIPTION

This bill creates the "Missouri Empowerment Scholarship Accounts Program" and specifies that any taxpayer may claim a tax credit, not to exceed 50% of the taxpayer's state tax liability, for any qualifying contribution to an educational assistance organization for all tax years beginning on or after January 1, 2021. The cumulative amount of tax credits issued in any one calendar year shall not exceed \$50 million. Each educational assistance organization shall meet certain requirements and provide specified information during an annual audit.

FISCAL DESCRIPTION (continued)

The State Treasurer shall provide a standardized format for a receipt to be issued by the educational assistance organization to indicate the value of a contribution received as well as a standardized format for educational assistance organizations to report the information. The State Treasurer or State Auditor may conduct an investigation if he or she possesses evidence of fraud committed by the educational assistance organization. The educational assistance organization may be barred from participating in the program if it is found to have intentionally and substantially failed to comply with certain requirements. In addition, the State Treasurer shall issue a report on the Missouri Empowerment Scholarship Accounts program five years after its effective date. Each educational assistance organization shall also annually administer tests to measure learning gains in math and English, and report these results along with graduation rates, college attendance, and a parental survey as specified in the bill. The state treasurer shall provide this data to the public via a state website after the 3rd year of collection.

A qualified student may receive a grant to be deposited in the student's Missouri Empowerment Scholarship Account if he or she is an elementary or secondary student, a resident of Missouri, and has attended a public school as specified in the bill, is entering Kindergarten or first grade, or is attending school for the first time. Missouri Empowerment Scholarship Accounts are renewable on an annual basis. Moneys deposited into the account shall be used for specified services and fees. If a qualified student withdraws from the program, is disqualified from the program, or graduates, the student's account shall be closed and remaining funds shall be returned to the educational assistance organization for redistribution to other qualified students.

Beginning in the 2022-23 school year the bill requires the State Treasurer to conduct or contract for annual audits of empowerment scholarship accounts to ensure compliance. Any person who is found to have knowingly used moneys granted under the provisions of this bill other than the purposes provided, shall be guilty of a class A misdemeanor.

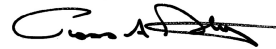
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Divisions  
Missouri State Treasurer's Office  
Missouri Department of Elementary and Secondary Education  
Missouri Department of Revenue  
Missouri Attorney General's Office  
Missouri State Public Defender's Office  
Missouri Department of Public Safety - Missouri State Highway Patrol Division  
Office of Administration  
Office of State Courts Administrator  
Missouri Department of Higher Education and Workforce Development  
Missouri State Auditor's Office  
Missouri Department of Commerce and Insurance  
Missouri Department of Social Services  
Missouri Office of Prosecution Services  
Joint Committee on Administrative Rules  
Missouri Secretary of State's Office



Julie Morff  
Director  
February 10, 2020



Ross Strope  
Assistant Director  
February 10, 2020