

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4411-06
Bill No.: SCS for HCS for HB's 2062 & 1518
Subject: Military Affairs; Veterans; Education, Elementary and Secondary; Elections
Type: Corrected
Date: May 13, 2008

Bill Summary: This proposal changes laws regarding members of the military and their families.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$223,424 to \$2,377,110 to Unknown)	(\$416,847 to \$2,733,439 to Unknown)	(\$605,038 to \$3,094,172 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$223,424 to \$2,377,110 to Unknown)	(\$416,847 to \$2,733,439 to Unknown)	(\$605,038 to \$3,094,172 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1	1	1

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Higher Education (DHE)** assume this bill would create the Military Member Survivor Grant. Recipients would be the survivors of certain veterans who attend public or private institutions of higher education in Missouri. Twenty-five grants would be awarded annually and each grant would be in an amount not to exceed the actual tuition paid or the tuition charged a Missouri resident at the University of Missouri-Columbia. Each recipient would also receive up to \$2,000 per semester for room and board and up to \$500 per semester for books.

The Coordinating Board for Higher Education and the DHE, the CBHE's administrative arm, would be responsible for administering the program. Duties would include promulgating rules for the implementation of the program, determining each applicant's eligibility for the award, delivering funds to institutions on behalf of each recipient, and providing the forms and procedures for the overall operation of the grant program.

The following is the breakdown of the amount needed to fund the grants including the assumptions used to determine the costs.

	Tuition (assuming 3% inflationary increase)				
	FY 08	FY 09	FY 10	FY 11	FY 12
East Central Tuition	\$2,130.00	\$2,193.90	\$2,259.72	\$2,327.51	\$2,397.33
UCM Tuition	\$8,098.36	\$8,341.31	\$8,591.55	\$8,849.30	\$9,114.78

	Total Costs of Program (Tuition, Room & Board, Books)			
	FY 09	FY 10	FY 11	FY 12
East Central Rate	\$179,847.50	\$362,985.85	\$549,563.14	\$689,733.38
UCM Rate	\$333,532.77	\$679,577.51	\$1,038,697.25	\$1,411,477.55

(1) All 25 grant recipients would either attend East Central College (the least expensive institution of higher education in Missouri, with an in-taxing-district tuition of \$2,130 per year for FY 08) or would attend the University of Missouri-Columbia ("UMC") or a more expensive institution (and would thus receive a grant equal to the annual tuition at UMC, which is \$8,098.36 for FY08).

(2) Tuition at East Central College and UMC will increase at approximately the rate of inflation, which for purposes of this fiscal note is estimated to be about 3% annually.

ASSUMPTION (continued)

(3) 25 survivors would receive grants the first year; 25 additional survivors would receive grants the second year, for a total of 50 recipients; and 25 additional survivors would receive grants the third year, for a total of 75 recipients. Additionally (although this is not indicated on the fiscal note) 25 additional survivors would receive grants the fourth year, for a total of 100 recipients. The DHE predicts that there would likely be 100 recipients every year starting the fourth year and continuing for as long as the program is administered.

(4) Each recipient would receive the maximum reimbursement for room and board and for books.

In addition, a DHE staff person would be needed to administer the program. The DHE, therefore, estimates that 1.0 FTE of a Program Specialist position at an estimated salary of \$35,000 plus associated expense and equipment would be needed in FY 2009 to implement this program. This Program Specialist would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

Oversight assumes no fiscal impact to the Colleges and Universities as the program is administered by the DHE and the state will pay the eligible students tuition.

Officials from the **Department of Economic Development** and the **Department of Public Safety - Director's Office** and **Office of the Adjutant General** each assume the proposal would not fiscally impact their respective agencies.

In response to a previous version of this proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed no fiscal impact from the proposal.

Officials from the **Missouri Veterans' Commission (VET)** assume they would incur \$2,500 per year in expenses from this proposal.

Oversight assumes the VET will be able to absorb an addition \$2,500 of expenses within their existing appropriations

Officials from the **Department of Elementary and Secondary Education (DESE)** state it is impossible to calculate a fiscal impact for Section 4 because we cannot know how many students will take advantage of this program. Since the virtual school program has limited enrollment, a

ASSUMPTION (continued)

question arises due to the proposed language. If a student enrolls after the state funded seats are filled, would the state be required to enroll and fund that additional student or would one of the other students be removed?

Regarding Section 5, DESE states there does not appear to be a significant state cost associated with this language; however, those districts located close to military bases this will have significant impact. We defer to those districts regarding the time and costs involved.

Regarding Section 168.021.5, DESE states there is no fiscal impact; however, the language conflicts with the statutes requiring a background clearance on all new hires. The proposal establishes a fourth reason to issue a provisional certificate (i.e. marriage to someone in the military). This reason will not pass muster with the No Child Left Behind Act. People with out-of-state licenses are not delayed or hindered from getting Missouri licenses due to background checks; therefore, the added language is unnecessary.

Regarding Section 135.555, DESE states tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students. DESE assumes a \$2 million loss of revenue from this part of the proposal.

Oversight will utilize DESE's assumption of an unknown fiscal impact to the General Revenue fund for Section 4. Oversight assumes there would be some additional expense to the state for these students who utilize the state virtual school.

Oversight will assume Section 5 will not cause a fiscal impact to local school districts since the proposal states the governing board of a school district may do those actions. Oversight assumes this section is permissive in nature.

In response to a previous version of the proposal, officials from the **Office of the Secretary of State (SOS)** assumed 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we 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, we 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.

ASSUMPTION (continued)

Officials from **Franklin County, Cole County, Hickory County, Montgomery County, Springfield Public Schools, Waynesville School District, and Knob Noster School District** did not respond to our request for fiscal impact.

Section 135.555 - Tax Credit for contributions for armor plating;

In response to a similar proposal from this year (SB 771), officials from the **Department of Revenue (DOR)** assumed this would establish a new tax credit, which would reduce the amount of tax due and therefore would reduce state revenues.

Beginning January 1, 2008, the proposal would allow an individual taxpayer to claim a credit towards the taxes imposed by chapter 143, except withholding taxes. The amount would be equal to 100% of the amount of contributions made to provide United States military personnel with armored protection, but could not exceed \$1,000. The credits claimed could not exceed the taxpayer's liability for the tax year claimed but could be carried forward for 5 succeeding tax years, until the full amount has been claimed. The cumulative amount of tax credits claimed in any fiscal year by all taxpayers could not exceed \$2 million, and credits are to be issued in the order contributions are received.

DOR would promulgate rules to implement the proposal. DOR officials assume DOR would be required to change individual income tax form and instructions and the MINITS and speed-up systems.

DOR officials stated that 1.0 FTE Tax Processing Technician I would be required to process each 4,000 credits claimed, and submitted a cost estimate including the additional 1.0 FTE and related equipment and expenses of \$36,726 for FY 2009, \$38,723 for FY 2010, and \$39,884 for FY 2011.

DOR officials also provided this estimate of IT cost to implement the proposal:

Office of Administration, Information Technology Services Division (ITSD/DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. ITSD DOR assumes this legislation could be implemented at a total cost of \$29,302 utilizing 2 existing CIT III for 2 months for modifications to MINITS and 3 existing CIT III for 1 month for modifications to COINs, Café, and Corporate E-File.

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ASSUMPTION (continued)

Oversight assumes that most such contributions for armored protection for US armed forces would be significant in size and that a relatively small number of claims for tax credits would be submitted. Therefore, Oversight assumes this proposal could be implemented with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which require additional work, resources could be requested through the budget process.

In response to a similar proposal from this year (SB 771), officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed this would create no added cost to their organization.

BAP officials stated that this proposal would create a tax credit for contributions for the purpose of providing protection for the members of the US armed forces. The program is capped at \$2 million annually. Therefore, general and total state revenues could be reduced by this amount annually.

Oversight assumes this proposal would result in a reduction in state revenues up to the \$2,000,000 annual cap.

This proposal could reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009	FY 2010	FY 2011
GENERAL REVENUE			
<u>Loss</u> - tax credit for donations for body armor or armor plating to be used by United States armed forces (135.555)	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
<u>Costs</u> - Dept. of Higher Education annual grants for tuition, books, and room and board	(\$179,848 to \$333,533)	(\$362,986 to \$679,578)	(\$549,563 to \$1,038,697)
<u>Costs</u> - Dept. of Higher Education Personal Services	(\$30,042)	(\$37,132)	(\$38,245)
Fringe Benefits	(\$13,285)	(\$16,420)	(\$16,912)
Expense and Equipment	(\$250)	(\$309)	(\$318)
<u>Total Costs</u> - Dept. of Higher Education	(\$43,577)	(\$53,861)	(\$55,475)
FTE Change - Dept. of Higher Educ.	1 FTE	1 FTE	1 FTE
<u>Costs</u> - Department of Elementary and Secondary Education - additional students enrolled in virtual school (Section 4)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$223,424 to \$2,377,110 to Unknown)</u>	<u>(\$416,847 to \$2,733,439 to Unknown)</u>	<u>(\$605,038 to \$3,094,172 to Unknown)</u>
Estimated Net FTE Change for General Revenue	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009	FY 2010	FY 2011
	<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 proposal changes the laws regarding members of the military and their families. In its main provisions, the bill:

- (1) Adds the chairman of the Missouri Veterans Commission to the Missouri Military Preparedness and Enhancement Commission and clarifies that the commission's duties include developing policies and methods to improve the prosperity and employment opportunities of retired military members and the families of former military members;
- (2) Specifies that the chair of the Missouri Military Preparedness and Enhancement Commission will be an ex officio member of the Missouri Veterans Commission and the commission will help veterans who are legal residents of Missouri;
- (3) Allows a person in federal service who is eligible to register, but has not registered, to vote in any election. Currently, a person in federal service can only vote in a federal election;
- (4) Allows a military dependent who has completed an accredited pre-kindergarten or kindergarten program in another state to enter kindergarten or first grade even if the child has not reached the required age for Missouri schools by August 1;
- (5) Requires the State Board of Education to establish a rule to allow the issuance of a provisional teacher's certificate before the completion of a background check to the spouse of a military member who holds a teacher's certificate in another state that requires a background check and who has relocated within the last year;
- (6) Allows school districts to accept a course in government completed in another state when a student transfers to a Missouri high school in ninth to twelfth grade to satisfy the state's graduation requirement;
- (7) This bill allows the spouse and children of a soldier who is killed in action after September 11, 2001, or who becomes 80% disabled as the result of an injury sustained in combat action after September 11, 2001, to receive an educational grant for tuition at a public or private college or university in Missouri. The Coordinating Board of Higher Education will award up to 25 grants annually. If the waiting list of eligible survivors exceeds 50, the board can ask the General Assembly to increase the number of grants it is authorized to award. The tuition grant cannot

FISCAL DESCRIPTION (continued)

exceed what is charged a resident by the University of Missouri-Columbia. The veteran must have been a Missouri resident when first entering military service and at the time of death or injury in order for his or her survivors to receive this grant. In addition to the full cost of tuition, the grant includes \$2,000 per semester for room and board and the actual cost of books up to \$500 per semester.

Children are eligible to receive the scholarship until age 25. Spouses are eligible until age 45. No eligible student will receive a grant for more than 100% of tuition when combined with similar funds given to the student.

The provisions will expire six years from the effective date.

(8) Specifies that certain military dependents will be eligible to enroll full time in courses through the Missouri Virtual School; and

(9) Allows a tax credit for donations of cash, stock, bonds, or other marketable securities, body armor, armor plating for military vehicles, or materials consumed in the process of manufacturing body armor used by members of the United States armed forces or armor plating used on military vehicles of such forces. The tax credit is for all years beginning on or after January 1, 2008 and has a \$2 million annual limit.

The bill contains an emergency clause except for the provisions regarding membership in the Missouri Preparedness and Enhancement Commission and the renaming of the Guard at Home Program.

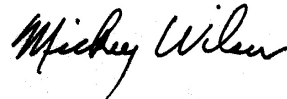
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Public Safety
Missouri Veterans Commission
Office of the Secretary of State
Department of Elementary and Secondary Education
Department of Higher Education
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue

NOT RESPONDING:

Franklin County
Cole County
Hickory County
Montgomery County
Springfield Public Schools
Waynesville School District
Knob Noster School District



Mickey Wilson, CPA
Director
May 13, 2008