

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5968-02
Bill No.: Perfected HCS for HB 2255
Subject: Department of Higher Education; Higher Education
Type: Original
Date: April 4, 2018

Bill Summary: This proposal modifies provisions relating to the Science, Technology, Engineering, and Mathematics Initiative.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$250,000)	(Up to \$450,000)	(Up to \$454,000)
Total Estimated Net Effect on General Revenue	(\$250,000)	(Up to \$450,000)	(Up to \$450,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Science, Technology, Engineering, and Mathematics	\$0	Up to \$200,000	Up to \$204,000
STEM Career Awareness Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Up to \$200,000	Up to \$204,000

*Income and costs net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education (DHE)** state DHE would be in charge of reviewing institutional matching fund requests for the Science, Technology, Engineering, and Mathematics Fund (subsection 173.670.6). This would require the promulgation of rules to determine how applicants would be selected, which could be handled with existing staff, and the addition of ½ Research Associate FTE to handle the continuous influx of applications for the two new programs .

Costs are estimated at \$23,925 for FY 2019, \$28,126 for FY 2020, and \$28,366 for FY 2021. Costs for the ½ FTE are based upon OA budget guidelines for FY19 standards for ongoing supplies, IT cost per FTE, etc.

Oversight assumes the current FTE could handle the program with existing staff. Should a sufficient number of new matching fund requests be submitted to justify additional FTE, DHE could request the FTE through the appropriation process.

Officials from **Department of Revenue** assume this proposed section would allow any taxpayer hiring a person who is currently enrolled in a field of study related to science, technology, engineering, or mathematics to apply up to \$10,000 of their state tax liability to be transferred from general revenue and placed in a STEM Fund. These transfers may not exceed \$200,000. The proposed legislation may reduce general revenue by \$200,000, but will have no effect on total state revenues.

In response to a previous version, HB 2255 (LR 5968-01), officials from the **Office of Administration - Budget and Planning** assumed section 173.670 of this proposal provides a process whereby a qualifying taxpayer that selects a qualifying intern or full-time employee may apply to have, upon appropriation, up to \$10,000 of their tax liability transferred from the General Revenue Fund to the Science, Technology, Engineering and Mathematics (STEM) Fund, which may subsequently be appropriated to public higher education institutions. The taxpayer shall remit their tax liability before such funds are transferred. The annual limit on funds that may be moved from General Revenue under this proposal is \$200,000; such limit shall be annually adjusted by inflation which is assumed to be 2% per year. This proposal will have no direct impact on total state revenue or general revenue collections.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from **Missouri Western State University** assume this proposal could have a potential small positive fiscal impact on the university.

Officials from the **University of Missouri System** and **State Technical College of Missouri** assume there is no fiscal impact to their organizations.

Officials from the **Missouri State University** assume the proposal will have no fiscal impact on their organization.

In response to a previous version, HB 2255 (LR 5968-01), officials from **University of Central Missouri** assumed this would not have a significant fiscal impact on the university.

In response to a previous version, HB 2255 (LR 5968-01), officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, HB 2255 (LR 5968-01), officials from the **Office of the Secretary of State (SOS)** stated 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, 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.

ASSUMPTION (continued)

Oversight assumes this proposal allows for the transfer of a taxpayer's liability from General Revenue into the Science, Technology, Engineering and Mathematics (STEM) Fund, if the taxpayer provides education benefits or hires a student majoring in a STEM field as an intern or full-time position. Oversight will reflect the loss to General Revenue of up to the \$200,000 which is the annual limit for tax year 2019 and grow by 2% inflation for years thereafter. Oversight assumes that all money will be used by the STEM Fund in the year in which it is received.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College and Truman State University did not respond to **Oversight's** request for fiscal impact.

House Amendment 1 - §620.2700 STEM Career Awareness Program

Officials from **Department of Elementary and Secondary Education (DESE)** assume the request for proposal (RFP) would be issued for the amount available in the STEM Career Awareness Program Fund. Any cost to the state would be assumed by this fund. It is a supplementary online exploratory program for middle school students. DESE doesn't have anything comparable on which to base an estimate. Therefore, the cost is unknown; however, it has the potential to exceed \$100,000. DESE defers to local school districts.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. The proposal's amendment creates the "STEM Career Awareness Program Fund". This fund would be exempt from the biennial transfer and retains interest.

Officials from the **Office of Administration - Budget and Planning** assume this amendment requires the Department of Elementary and Secondary Education to establish a statewide STEM Career Awareness Program subject to appropriation. Additionally, the amendment creates the STEM Career Awareness Program Fund. DESE may have specific costs related to the implementation of the amendment's provisions. This amendment will not affect total state revenue.

In response to a similar proposal, HB 2138 (LR 5958-01), officials from the **Northeast Nodaway R-5 School District** assumed this could cost several thousand dollars due to purchasing an online program along with any training teachers may have to take.

ASSUMPTION (continued)

In response to a similar proposal, HB 2138 (LR 5958-01), officials from the **Summersville R2 School District** assumed an unknown impact.

In response to a similar proposal, HB 2138 (LR 5958-01), officials from the **Kirksville R-III School District** assumed the proposal will have no fiscal impact on their organizations.

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

In response to a similar proposal, HB 2138 (LR 5958-01), officials from the **Office of the Secretary of State (SOS)** stated 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, 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.

Oversight assumes this section requires DESE to implement an online statewide program which meets certain requirements for grades six through eight beginning in the 2019-2020 school year. Oversight notes this section requires DESE, on or before January 1, 2019 (FY 2019), to solicit proposals and select an online provider for the online course.

Oversight assumes this section creates the STEM Career Awareness Program Fund which consists of appropriations, gifts, bequest and donations to be used for establishing and supporting the STEM Career Awareness Program. Oversight notes, per section 2.027 in appropriation bill HCS for HB 2002, an appropriation of \$250,000. Therefore, Oversight will reflect an appropriation of \$250,000 from general revenue to the STEM Career Awareness Program. Oversight assumes that all money will be used by the Fund in the year in which it is received.

ASSUMPTION (continued)

Oversight assumes the curriculum will be available in a self-paced format over the internet accessible to students through individual student accounts.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Transfer Out</u> - to STEM Fund - taxpayer tax liability transferred for hiring an intern or full-time position §173.670.7	\$0	(Up to \$200,000)	(Up to \$204,000)
<u>Transfer Out</u> - to STEM Career Awareness Fund §620.2700.5	<u>(\$250,000)</u>	<u>(\$250,000)</u>	<u>(\$250,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$250,000)</u>	<u>(Up to \$450,000)</u>	<u>(Up to \$454,000)</u>
SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS FUND			
<u>Transfer In</u> - from General Revenue §173.670.7	<u>\$0</u>	<u>Up to \$200,000</u>	<u>Up to \$204,000</u>
ESTIMATED NET EFFECT ON THE SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS FUND	<u>\$0</u>	<u>Up to \$200,000</u>	<u>Up to \$204,000</u>

<u>FISCAL IMPACT - State Government</u> (continued) STEM CAREER AWARENESS FUND	FY 2019 (10 Mo.)	FY 2020	FY 2021
<u>Transfer In</u> - from General Revenue - HA 1 - §620.2700	\$250,000	\$250,000	\$250,000
<u>Transfer In</u> - from gifts, bequests or donations §620.2700	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Cost</u> - online STEM Career Awareness program	(Could exceed <u>\$350,000</u>)	(Could exceed <u>\$350,000</u>)	(Could exceed <u>\$350,000</u>)
ESTIMATED NET EFFECT ON THE STEM CAREER AWARENESS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 bill changes the law regarding the Missouri Science, Technology, Engineering and Mathematics (STEM) Fund. Missouri taxpayers who provide educational benefits or hire a STEM student attending a Missouri college for an internship in Missouri, or a STEM graduate from a Missouri college for a full-time STEM position in Missouri, may apply to have \$10,000 of state tax liability placed in the fund, subject to appropriation by the General Assembly and approval by the Department of Higher Education. The cumulative amount of taxes transferred to the fund is capped at an annual total of \$200,000.

FISCAL DESCRIPTION (continued)

The bill removes endowed teaching professor programs and career enhancement programs from the list of programs eligible for moneys from the fund. Students demonstrating financial need shall benefit from 60% of any moneys granted to funded programs.

The bill creates the "STEM Career Awareness Program" to increase STEM (Science, Technology, Engineering, and Mathematics) career awareness among students in grades six through eight. The program shall introduce students to a wide variety of STEM careers and technology through an online-based STEM curriculum. By January 1, 2019, DESE shall solicit proposals and select a provider for the online program using specified criteria or choose a third-party nonprofit entity to implement the statewide program, solicit proposals, and select a provider. The program shall be supported by the "STEM Career Awareness Program Fund" and shall be implemented beginning with 2019-20 school year.

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 Higher Education
Department of Revenue
Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Treasurer
Office of the Secretary of State
Joint Committee on Administrative Rules
University of Missouri System
Missouri State University
University of Central Missouri
Missouri Western State University
State Technical College of Missouri

SOURCES OF INFORMATION (continued)

Kirksville R-III School District
Summersville R2 School District
Northeast Nodaway R-5 School District

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
April 4, 2018