

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4448-01
Bill No.: HB 1796
Subject: Higher Education; Science and Technology
Type: Original
Date: February 14, 2020

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 2021	FY 2022	FY 2023
General Revenue	(\$2,000 or Up to \$287,711)	\$0 or (Up to \$296,841)	\$0 or (Up to \$301,775)
Total Estimated Net Effect on General Revenue	\$2,000 or (Up to \$287,711)	\$0 or (Up to \$296,841)	\$0 or (Up to \$301,775)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Science, Technology, Engineering and Mathematics Fund	\$0 or Up to \$200,000	\$0 or Up to \$204,000	\$0 or Up to \$208,080
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Up to \$200,000	\$0 or Up to \$204,000	\$0 or Up to \$208,080

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

☒ 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Higher Education and Workforce Development (DHEWD)** state it is unknown how many entities would chose to participate in the new program but the bill does limit tax liability being diverted to the new fund to \$200,000. The DHEWD would be in charge of awarding matching grants as described in the bill. DHEWD will require .5 FTE to administer this new statewide program. One .5 FTE would be filled as a senior associate would be needed along with related benefits to manage the program.

OA standard one-time costs are required for systems furniture and new employee costs such as phone, wiring, etc. Also ongoing costs for ITSD and staff per OA are also included. A total of \$48,503 is required in FY 21, \$47,803 in FY 22 and \$48,264 in FY 23.

Oversight assumes DHE could either absorb the additional duties with existing resources or hire one FTE Research Analyst (\$35,000). Oversight will show a range of impact of \$0 (absorb duties with existing resources) to one FTE.

Officials from **Office of Administration - Budget and Planning (B&P)** assume 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. This proposal will have no direct impact on general or total state revenue collections; however, up to \$200,000 annually could be transferred from GR to the STEM fund, subject to appropriation, beginning with FY21. The annual limit on funds that may be moved from GR under this proposal is \$200,000; such limit shall be annually adjusted by inflation, which is assumed to be 2% per year.

Officials from **Department of Revenue (DOR)** assume section 173.670 would allow any taxpayer that provides educational benefits or hires a person majoring in a field related to science, technology, engineering, or mathematics at a Missouri two or four year public or private college, or a person who has recently graduated with a degree related to science, technology, engineering, or mathematics from a Missouri two or four year public or private college to apply to have 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 per tax year starting in tax year 2020, adjusted annually for inflation.

ASSUMPTION (continued)

DOR notes this proposal would become effective August 28, 2020 and therefore, the taxpayers could request the transfer of funds with the filing of their tax returns starting January 1, 2021.

General Revenue could lose up to \$200,000 annually in the first year. This proposal allows for the amount to be inflated annually.

Fiscal Year	Impact
FY 2021	(\$200,000)
FY 2022	(\$204,000)
FY 2023	(\$208,080)

Science, Technology, Engineering and Mathematics Fund

Fiscal Year	Impact
FY 2021	\$200,000
FY 2022	\$204,000
FY 2023	\$208,080

Administrative Impact

The Department anticipates being able to absorb the increase in tax credits redeemed resulting in this legislation. If the increase is more significant than anticipated, FTE will be requested through the appropriations process as follows:

- 1 FTE Revenue Processing Technician for every 6,000 credits redeemed
- 1 FTE Revenue Processing Technician for every 7,600 errors/correspondence generated

This legislation will require the following costs:

- \$2,000 for forms and programming

Officials from the **Department of Commerce and Insurance**, the **University of Central Missouri** and the **State Technical College of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes the maximum amount of taxes transferred to the STEM fund cannot exceed \$200,000 in tax year 2021. Oversight assumes transfers could begin January 2021 (FY 2021) and will show up to the maximum of \$200,000 occurring in FY 2021 and then adjusted for inflation at 2% in subsequent years.

ASSUMPTION (continued)

Promulgate Rules

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 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, 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.

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 require additional resources.

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

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

Oversight notes the language in the bill could be interpreted differently, including:

- the program applies to tax years starting after 1/1/2021 - therefore, the impact would begin for tax returns filed after January 1, 2022 (FY 2022); or.
- the \$200,000 cap starts in tax year 2021, with no cap in 2020 (8/28/20 - 12/31/20) - for tax returns **filed** "in tax year 2021"

For simplicity, Oversight will reflect the possibility of up to \$200,000 being redirected from General Revenue to the new STEM fund starting in FY 2021.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost - DHEWD</u>			
Personal Service	\$0 or (\$48,658)	\$0 or (\$58,973)	\$0 or (\$59,563)
Fringe Benefits	\$0 or (\$25,759)	\$0 or (\$31,105)	\$0 or (\$31,301)
Equipment and Expense	<u>\$0 or (\$11,294)</u>	<u>\$0 or (\$2,763)</u>	<u>\$0 or (\$2,831)</u>
<u>Total Cost</u>	\$0 or (\$85,711)	\$0 or (\$92,841)	\$0 or (\$93,695)
FTE Change - DHEWD	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
 <u>Cost - DOR - Forms and Programming</u>	 (\$2,000)	 \$0	 \$0
 <u>Transfer Out - to STEM Fund - taxpayer</u> tax liability transferred for hiring an intern or full-time position §173.670	 \$0 or (Up to <u>\$200,000</u>)	 \$0 or (Up to <u>\$204,000</u>)	 \$0 or (Up to <u>\$208,080</u>)
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 (\$2,000 or Up to <u>\$287,711</u>)	 \$0 or (Up to <u>\$296,841</u>)	 \$0 or (Up to <u>\$301,775</u>)
 Estimated Net FTE Change for the General Revenue Fund	 0 or 1 FTE	 0 or 1 FTE	 0 or 1 FTE
 SCIENCE, TECHNOLOGY AND MATHEMATICS FUND			
 <u>Transfer In - from General Revenue</u>	 \$0 or (Up to <u>\$200,000</u>)	 \$0 or (Up to <u>\$204,000</u>)	 \$0 or (Up to <u>\$208,080</u>)
 ESTIMATED NET EFFECT ON THE SCIENCE, TECHNOLOGY AND MATHEMATICS FUND	 \$0 or (Up to <u>\$200,000</u>)	 \$0 or (Up to <u>\$204,000</u>)	 \$0 or (Up to <u>\$208,080</u>)

FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses 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 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 and Workforce Development. The cumulative amount of taxes transferred to the fund is capped at an annual total of \$200,000.

The bill removes endowed teaching professor programs and career enhancement programs from the list of programs eligible for moneys from the fund.

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 and Workforce Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules

SOURCES OF INFORMATION (continued)

University of Central Missouri
State Technical College of Missouri



Julie Morff
Director
February 14, 2020

Ross Strobe
Assistant Director
February 14, 2020