

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0711H.03T
 Bill No.: Truly Agreed To and Finally Passed HCS for HB 349
 Subject: Education, Elementary and Secondary; Tax Credits
 Type: Original
 Date: June 30, 2021

Bill Summary: This proposal would establish the "Missouri Empowerment Scholarship Accounts Program."

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2051)
General Revenue Fund**/**/****	(\$50,000)	Up to (\$50,000,000)	Up to (\$50,750,000)	Up to (\$22,552,000) to (\$75,000,000)
Total Estimated Net Effect on General Revenue	(\$50,000)	Up to (\$50,000,000)	Up to (\$50,750,000)	Up to (\$22,552,000) to (\$75,000,000)

Numbers within parentheses: () indicate costs or losses.

* **Oversight** notes Section 166.720 states any qualified student receiving a Missouri Empowerment Scholarship who leaves a public school or charter school in the qualified student's resident school district to enroll in a qualified school that is not the qualified student's resident school district shall continue to be counted in the resident public school's or charter school's weighted average daily attendance as a resident student for purposes of determining state and federal aid for the qualified student's resident school district or charter school. The qualified student shall continue to be counted for such purpose for five (5) years after the qualified student no longer attends school in the qualified student's resident school district, until any calendar year that the qualified student no long receives grant money in their scholarship account, until the qualified student is counted in the weighted average daily attendance for a public school or charter that they are a resident school in or until the qualified student graduates. **Oversight** notes Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. **Oversight** assumes savings to General Revenue (loss to local public school districts) could occur as a result

of qualified students transferring from resident school district(s) to qualified schools beginning the sixth (6th) year after the effective date of the program created under this proposed legislation, but may not occur until the eighth (8th) year. **For purposes of this fiscal note, Oversight assumes savings will occur beginning the sixth (6th) year.**

**Implementation of the Missouri Empowerment Scholarship Accounts Program is dependent (§135.713.5) upon funding to the student transportation formula (HB 2 – Section 2.015). Therefore, Oversight reflects the possibility of a zero (\$0) fiscal impact.

*** **Oversight** notes Truly Agreed To and Finally Passed CCS for SB 86 (2021) (referenced as SB 86 in the remainder of this text) creates Section 135.715 which would modify the provisions of this proposed legislation.

SB 86 creates new provisions relating to educational assistance organizations (EAOs). Specifically, notwithstanding the provisions of **this proposed legislation** to the contrary, SB 86 prohibits the annual increase to the cumulative amount of tax credits that can be issued for purposes of contributions to EAOs when the amount of tax credits reaches \$50 million. Furthermore, the cumulative amount of tax credits that may be allocated to all taxpayers contributing to EAOs in the first year of the Missouri Empowerment Scholarship Accounts Program shall not exceed \$25 million. In addition, the amount that can be deposited into the Missouri Empowerment Scholarship Accounts Fund for administrative expenses is changed to four percent. Furthermore, the State Treasurer shall limit the number of EAOs that can operate within each school year and may delegate any duties assigned within this proposed legislation to the Missouri Empowerment Scholarship Accounts Board, as created in SB 86.

Oversight notes several scenarios could occur.

Scenario 1 – Both SB 86 and this proposed legislation are signed into law. Oversight assumes Section 135.715 within SB 86 will become effective, which would significantly change the fiscal impact(s) reported in this fiscal note.

Scenario 2 – SB 86 is signed into law and this proposed legislation is not signed into law. The impact(s) reported in this fiscal note would become moot.

Scenario 3 – This proposed legislation is signed into law and SB 86 is not signed into law. The impact(s) reported in this fiscal note would remain.

Scenario 4 – Neither this proposed legislation or SB 86 is signed into law. The impact(s) reported in this fiscal note would become moot.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2051)
State School Moneys Fund (0616)*	\$0	\$0	\$0	\$0
Missouri Empowerment Scholarship Accounts Fund	(\$304,623)	Up to \$678,550	Up to \$690,403	Up to \$1,073,200
Total Estimated Net Effect on <u>Other</u> State Funds	(\$304,623)	Up to \$678,550	Up to \$690,403	Up to \$1,073,200

*Cost avoidance and loss of approximately \$0 to \$52.4 million in FY 2051 net \$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2051)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2051)
Missouri Empowerment Scholarship Accounts Fund – STO	4 FTE	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE	4 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2051)
Local Public School Districts/Charter Schools	\$0	Unknown	Unknown	Up to (\$52,448,000)
Local Government	\$0	Unknown	Unknown	Up to (\$52,448,000)

FISCAL ANALYSIS

ASSUMPTION

Section 135.712 – Missouri Empowerment Scholarship Accounts Program

Oversight notes Section 135.712 establishes the Missouri Empowerment Scholarship Accounts Program under Section(s) 135.712 to 135.719 and Section(s) 166.700 to 166.720 to provide options toward ensuring the education of students in the State of Missouri. This section further provides the definitions applicable for Section(s) 135.712 to 135.719.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state Section(s) 135.712 – 135.719 and Section(s) 166.700 to 166.720 create the Missouri Empowerment Scholarship Accounts Program, which grants scholarships to qualified students for qualified schools through educational assistance organizations.

B&P states the provisions of this proposed legislation shall be effective in any fiscal year immediately after any fiscal year in which the amount appropriated for pupil transportation equals or exceeds forty percent (40%) of the projected amount necessary to fully fund transportation for Fiscal Year 2021. Based on the Fiscal Year 2022 appropriated amounts in [HB 2 \(2021\)](#) for transportation, this program will be effective on July 1, 2022. After implementation, if the amount appropriated falls below forty percent (40%), then no new scholarships shall be awarded in the following year.

Section 135.713 – Tax Credit for Contribution(s) to Educational Assistance Organizations

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state any taxpayer may claim a tax credit for qualifying contributions to an educational assistance organization in an amount equal the amount the taxpayer contributed during the tax year for which the credit is claimed. This credit cannot exceed 50 percent of the taxpayer's state tax liability. This credit may be carried forward for four (4) 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. The increases shall cease when the tax credit cap reaches \$75 million.

B&P states an educational assistance organization is a charitable organization that is registered in this state, that is certified by the State Treasurer, and that allocates all annual revenue for educational assistance.

B&P estimates this proposed legislation may reduce General Revenue and Total State Revenue(s) up to a minimum of \$50 million annually once the legislature appropriates for school transportation in an amount sufficient to meet the 40 percent threshold. Based on the Fiscal Year 2022 appropriated amounts in HB 2, this threshold has been exceeded; this proposed legislation will therefore reduce General Revenue and Total State Revenue(s) in Fiscal Year 2023 by an amount up to \$50 million. Once fully implemented, this proposed legislation may reduce General Revenue and Total State Revenue(s) up to \$75 million annually.

B&P states this proposed legislation may impact the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state Section 135.713 creates a tax credit for taxes due under Chapters 143 and 153 in an amount equal to one-hundred percent (100%) of contributions made to an educational assistance organization. The amount of tax credits claimed shall not exceed fifty percent (50%) of the taxpayer's state tax liability. The tax credits allocated may not exceed \$50 million in the first year and this section allows that the cap to increase annually by the CPI inflation rate until it reaches the maximum allowed of \$75 million. The loss to General Revenue is the cap amount annually. This credit is not refundable but can be carried forward four (4) years.

Per Section 135.713.5, the tax credit program will only become effective upon 40% of the required fully funding of the student transportation formula. The current estimates are that it takes \$278,900,000 to fully fund the transportation formula. To enact this proposed legislation, the transportation formula would be required to receive at least 40% or \$111,560,000 in funding annually.

HB 2 for Fiscal Year 2022, which passed and is awaiting the Governor's signature, does have enough funding for the transportation formula to trigger this tax credit. It is assumed it would begin on July 1, 2021 (Fiscal Year 2022). For the purposes of the fiscal note, DOR will show the impact as \$0 to the \$50 million cap during the fiscal note period:

Fiscal Year 2022 -- \$0 to \$50 million loss to General Revenue
Fiscal Year 2023 -- \$0 to \$50 million loss to General Revenue
Fiscal Year 2024 -- \$0 to \$50 million loss to General Revenue

Oversight notes the Missouri Department of Revenue anticipates the program could begin July 1, 2021 (Fiscal Year 2022).

Oversight notes Section 135.713.5 states "the provisions of Section(s) 135.712 to 135.719 and Section(s) 166.700 to 166.720 shall be effective in any fiscal year immediately subsequent to any fiscal year in which the amount appropriated for pupil transportation under Section 163.161 equals or exceeds forty percent of the projected amount necessary to fully fund transportation aid funding for Fiscal Year 2021..."

Thus, **Oversight** assumes, provided the amount appropriated for Fiscal Year 2022 equals or exceeds forty percent of the projected amount necessary to fully fund transportation aid funding for Fiscal Year 2021, the program would begin July 1, 2022 (Fiscal Year 2023).

In addition, **Oversight** assumes the Missouri Department of Revenue's reported loss to General Revenue equal to \$50,000,000 annually does not take into consideration the provision permitting the cumulative amount of tax credits to be adjusted for inflation.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 6,000 tax credits redeemed, and one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated.

Oversight notes this proposed legislation allows for a tax credit equal to one hundred percent (100%) 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 fifty percent (50%) of the taxpayer's state tax liability. Oversight does not anticipate the increase in the number of redemptions will justify an increase in DOR FTE. Therefore, for purposes of this fiscal note, Oversight will not report an administrative (FTE) fiscal impact for this organization. Should the increase prove to be significant, DOR may seek additional FTE through the appropriation process.

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** assume the following:

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
= 7,059 maximum number of available scholarships

2019-2020 State Funding	\$4,275,593,319
2019-2020 Regular Term ADA ¹	843,960
Total State Revenue per pupil by regular term ADA	\$5,066

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 \$14,240,231.

7,059 scholarships
× \$1,309 (difference between average state funding per pupil and scholarship amount)
= \$9,240,231
+\$5,000,000 (costs for administration and marketing subtracted from \$50,000,000)
=**\$14,240,231**

DESE notes 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.

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 × 7,059) scholarships and administration.

Proportionate distribution of students from public (87.7%) and non-public (12.3%) all going to non-public (See enrollment figures in Table 1.)

Total scholarships available – 7,059
Public – 6,194
Non-public – 865

Public - \$1,309 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

6,194 × \$1,309 = \$8,107,946
865 × \$6,375 = \$5,514,375
= \$13,622,321
+\$5,000,000 (costs for administration and marketing subtracted from \$50,000,000)
TOTAL \$18,622,321

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 = \$18,622,321.

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

2019 Population estimate ages 5-17 ²		1,002,505
2019-20 K-12 enrollment in public schools	87.7%	879,661
2019-20 Estimated non-public and homeschool enrollment	12.3%	122,844

A taxpayer may claim a tax credit for qualifying contributions to an educational assistance organization in an amount equal the amount the taxpayer contributed during the tax year for which the credit is claimed. This credit cannot exceed 50 percent of the taxpayer’s state tax liability. This credit may be carried forward for four (4) subsequent tax years. This tax credit is capped at \$50 million per calendar year. The amount of tax credits available is annually adjusted by the state treasurer for inflation (average of 2% is assumed) until the amount of tax credits available is \$75 million.

DESE estimates the below impact as a result of the tax credit.

YEAR 1	YEAR 2	YEAR 3	YEAR 4	FULLY IMPLEMENTED
50,000,000	51,000,000	52,020,000	53,060,400	75,000,000

The enactment of Section(s) 135.712 to 135.719 and Section(s) 166.700 to 166.720 become effective in any fiscal year immediately subsequent to any fiscal year in which the amount appropriated for pupil transportation equals or exceeds 40 percent of the projected amount necessary to fully fund transportation in Fiscal Year 2021.

Full transportation funding for Fiscal Year 2021 is \$278,905,780 and the amount currently requested for Fiscal Year 2022 is \$93,947,713. In order to reach 40 percent of the projected amount necessary to fully fund transportation in Fiscal Year 2021, DESE estimates an additional \$17,614,599 would be necessary.

Oversight notes the Missouri Department of Elementary and Secondary Education’s analysis takes into consideration the provision of this proposed legislation which states each educational assistance organization shall ensure that at least ninety percent (90%) of its revenues from qualifying contributions is spent on scholarship accounts (Section 135.714).

However, **Oversight** assumes the Missouri Department of Elementary and Secondary Education’s analysis does not take into consideration the provision of this proposed legislation which states two percent (2%) of qualifying contributions may be deposited into the Missouri Empowerment Scholarship Accounts Fund to be used by the Missouri State Treasurer for marketing and administrative expenses or the costs incurred in administering the program, whichever is less (Section 135.716).

Oversight notes the Missouri Department of Elementary and Secondary Education assumes an additional \$17,614,599 would be needed in pupil transportation in order for the program created to begin. However, based on the amount appropriated in [Truly Agreed To and Finally Passed HB 2](#) (2021 - Section 2.015 - \$113,947,713), which is awaiting action by the Governor, in conjunction with the fully funded amount reported by the Missouri Department of Elementary and Secondary Education (\$278,905,780), there would be enough funding to begin the program ($\$113,947,713 / \$278,905,780 = 40.86\%$).

Oversight notes the Missouri Department of Elementary and Secondary Education used an inflation rate equal to 2% while Oversight used an inflation rate equal to 1.5%.

Officials from the **Missouri State Treasurer's Office (STO)** state this section requires STO to operate a tax credit program related to donations to scholarship-grating organizations.

STO does not operate tax credit programs and does not currently have the resources to absorb these duties. STO anticipates a minimum of four (4) FTEs to perform the functions illustrated in this proposed legislation.

STO has assigned these costs to General Revenue as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605 which authorizes STO to retain interest to fund STO 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 the Missouri State Treasurer's Office anticipates the need for one (1) FTE Director, two (2) FTE Analysts, and one (1) FTE Clerk to administer the tax credit program created under this proposed legislation.

Oversight notes the Missouri State Treasurer's Office is usually funded by the State Treasurer's General Operating Fund (0164); however, as stated by the Missouri State Treasurer's Office, the State Treasurer's General Operating Fund cannot absorb the costs anticipated.

Oversight notes the administrative costs reported by the Missouri State Treasurer's Office have been assigned to General Revenue. However, Section 135.716 allows for the Missouri State Treasurer's Office to receive two percent (2%) of the qualifying contributions, which shall be deposited into the Missouri Empowerment Scholarship Accounts Fund, to fund marketing and administrative expenses or the costs incurred in administering the program.

Oversight assumes two percent (2%) of qualifying contributions totals \$1,000,000 ($\$50,000,000 * 2\%$) during the **first** year. This is significantly greater than the total FTE cost reported by the Missouri State Treasurer's Office. Therefore, for purposes of this fiscal note, Oversight will report the administrative costs, as reported by the Missouri State Treasurer's Office, being paid from the newly created Missouri Empowerment Scholarship Accounts Fund.

Oversight notes Section 135.713 creates a tax credit program for qualifying contributions made to an educational assistance organization by Missouri taxpayers. The tax credit created shall be equal to one hundred percent (100%) of the amount the taxpayer contributed during each tax year. However, the amount of the tax credit claimed shall not exceed fifty percent (50%) of the taxpayer's state tax liability for the tax year for which the credit is claimed.

Oversight notes an "Educational Assistance Organization" is defined as "a charitable organization registered in this state that is exempt from federal taxation under the Internal Revenue Code of 1986, as amended, that is certified by the State Treasurer, and that allocates all of its annual revenue for educational assistance, except as provided for in paragraph (c) of subdivision (4) of subsection 1 of section 135.714 and as provided in sections 135.712 to 135.719, derived from contributions for which a credit is claimed under sections 135.712 to 135.719".

Oversight notes the Missouri State Treasurer shall certify the tax credit amount(s) to taxpayers.

Oversight notes the tax credit created may be carried forward to any of a taxpayer's four (4) subsequent tax years. The tax credits created may **not** be transferred, sold, or assigned and are **not** refundable.

Oversight notes Section 135.713 states the cumulative amount of tax credits that may be allocated to all taxpayers contributing to educational assistance organizations in any one calendar year shall not exceed fifty million dollars (\$50,000,000), which shall be annually adjusted by the Missouri State Treasurer for inflation based on the Consumer Price Index for All Urban Consumers for the Midwest Region. The annual increase to the cumulative amount of tax credits that may be allocated to all taxpayers contributing to educational assistance organizations shall cease when the amount of tax credits reach seventy-five million dollars (\$75,000,000).

Oversight assumes, based on information published by the [United States Bureau of Labor Statistics](#), the four (4) year average (2017-2020) inflation recognized for the Midwest Region equals 1.5%.

Therefore, when using an inflation rate equal to 1.5%, Oversight assumes the cumulative amount of tax credits that will be available each year will equal the following:

Fiscal Year	Cumulative Cap
2023	\$50,000,000
2024	\$50,750,000
2025	\$51,511,250
2026	\$52,283,919
2027	\$53,068,178
2028	\$53,864,200
2029	\$54,672,163
2030	\$55,492,246
2031	\$56,324,629
2032	\$57,169,499
2033	\$58,027,041
2034	\$58,897,447
2035	\$59,780,909
2036	\$60,677,622
2037	\$61,587,787
2038	\$62,511,603
2039	\$63,449,277
2040	\$64,401,017
2041	\$65,367,032
2042	\$66,347,537
2043	\$67,342,750
2044	\$68,352,892
2045	\$69,378,185
2046	\$70,418,858
2047	\$71,475,141
2048	\$72,547,268
2049	\$73,635,477
2050	\$74,740,009
2051	\$75,000,000
2052	\$75,000,000
2053	\$75,000,000

Oversight estimates, when adjusted using an inflation rate equal to 1.5%, the cumulative cap will reach its “final cap” equal to seventy-five million dollars (\$75,000,000) in Calendar Year 2050 (Fiscal Year 2051).

Oversight notes the cumulative amount of tax credit(s) available **will not** be equal to the total dollar amount available for scholarships to qualifying students as a result of the provision(s) found in Section(s) 135.714 and 135.716.

Oversight notes the Missouri State Treasurer shall allocate tax credits to educational assistance organizations on a first come, first served basis. If an educational assistance organization fails to use all, or some percentage to be determined by the Missouri State Treasurer, of its allocated tax credits during this period, the Missouri State Treasurer may reallocate these unused tax credits to those educational assistance organizations that have used all, or some percentage to be determined by the State Treasurer, of their allocated tax credits during this period.

Oversight notes Section 135.713 states the provisions of the Missouri Empowerment Scholarship Accounts Program (Section(s) 135.712 – 135.719 and 166.700 and 166.720) shall only be effective in any fiscal year immediately subsequent to any fiscal year in which the amount appropriated for pupil transportation under Section 163.161 equals or exceeds forty percent (40%) of the projected amount necessary to fully fund transportation aid funding for Fiscal Year 2021. If the amount appropriated for transportation under Section 163.161 in any succeeding fiscal year falls below such amount, no additional scholarships for newly qualified students shall be awarded.

Based on the amount appropriated in the [Truly Agreed To and Finally Passed HB 2 \(2021\)](#) (\$113,947,713), Oversight assumes this proposed legislation will begin July 1, 2022 (Fiscal Year 2023). Oversight notes, though, at the date of this fiscal note, the Truly Agreed To and Finally Passed HB 2 (2021) has not yet been signed by the Governor. For purposes of this fiscal note, Oversight will assume the amount appropriated and approved in the Truly Agreed To and Finally Passed HB 2 (2021) for pupil transportation will allow the program to begin July 1, 2022 (Fiscal Year 2023). Contributions made in Calendar Year 2022 will not be claimed until such taxpayers file their Tax Year 2022 tax returns after January 1, 2023 (Fiscal Year 2023).

Oversight assumes that a tax credit equal to one hundred percent (100%) of the qualifying contribution provides enough incentive to contributors that the maximum cap(s) could be reached each fiscal year for, at least, the first several years of the tax credit program.

Oversight notes tax credits reduce General Revenue by an amount equal to the amount of tax credit redemptions each year. Oversight will report a revenue reduction to General Revenue, as a result of the tax credit program, equal to an amount “Up to \$50,000,000”, increased by the inflation, as estimated by Oversight (1.5%), each fiscal year thereafter, beginning in Fiscal Year 2023.

Oversight notes, though, that taxpayers may only claim a tax credit equal to fifty percent (50%) of their state tax liability. Therefore, the actual impact recognized may differ the amount(s) estimated in this fiscal note.

Oversight assumes, as qualified students transfer to qualifying schools, the State of Missouri would recognize a cost savings as a result of the reduced call to the foundation formula.

Oversight assumes local political subdivisions (public school districts/charter schools) would recognize a savings equal to the fixed and variable costs associated with the qualified students who transfer to qualifying schools. Oversight notes, though, even as this proposed legislation may reduce the number of students educated by public school districts, public school districts may not immediately reduce their fixed and variable costs proportionately, including buildings and staff.

Oversight assumes local political subdivisions (public school districts/charter schools) would recognize a loss equal to the amount of state aid previously received for qualified students who transfer to qualifying schools.

Oversight notes Section 166.720 states any qualified student receiving a Missouri Empowerment Scholarship who leaves a public school or charter school in the qualified student's resident school district to enroll in a qualified school that is not the qualified student's resident school district shall continue to be counted in the resident public school's or charter school's weighted average daily attendance as a resident student for purposes of determining state and federal aid for the qualified student's resident school district or charter school.

The qualified student shall continue to be counted for such purpose for five (5) years after the qualified student no longer attends school in the qualified student's resident school district, until any calendar year that the qualified student no longer receives grant money in their scholarship account, until the qualified student is counted in the weighted average daily attendance for a public school or charter that they are a resident school in or until the qualified student graduates.

Oversight notes Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the savings to the foundation formula call for those students no longer attending public schools because of this program to occur in future years, rather than the years reported. Section 163.036 creates the assumption that savings to General Revenue (loss to local public school districts) will not occur until eight (8) years after the effective date of this proposed legislation.

Therefore, **Oversight** assumes savings to General Revenue (loss to local public school districts) could occur as a result of qualified students transferring from resident school district(s) to qualified schools beginning the sixth (6th) year after the effective date of the program created under this proposed legislation, but may not occur until the eighth (8th) year. **For purposes of this fiscal note, Oversight assumes savings will occur beginning the sixth (6th) year.**

Below, **Oversight** estimates the overall impact of this proposed legislation, including the tax credit cap (Section 135.713), the amount(s) retained by educational assistance organizations (Section 135.714), the amount(s) deposited into the Missouri Empowerment Scholarship Accounts Fund (Section 135.716), the estimated amount(s) available for scholarships, the estimated number of scholarships, the estimated savings to General Revenue, the estimated loss to local political subdivisions, and the net cost to General Revenue.

				*First Year Savings Recognized	*Fully Implemented
Fiscal Year	2023	2024	2025	2028	2051
Estimated Cumulative Cap	\$50,000,000	\$50,750,000	\$51,511,250	\$53,864,200	\$75,000,000
Estimated Amount Retained By Educational Assistance Organizations (Max - 10% of Contributions Received)	\$5,000,000	\$5,075,000	\$5,151,125	\$5,386,420	\$7,500,000
Estimated Amount Deposited Into Missouri Empowerment Scholarship Accounts Fund (2% of Contributions Received)	<u>\$1,000,000</u>	<u>\$1,015,000</u>	<u>\$1,030,225</u>	<u>\$1,077,284</u>	<u>\$1,500,000</u>
Estimated Amount Available For Scholarships	\$44,000,000	\$44,660,000	\$45,329,900	\$47,400,496	\$66,000,000
State Adequacy Target (Max Scholarship)	<u>\$6,375</u>	<u>\$6,375</u>	<u>\$6,375</u>	<u>\$6,375</u>	<u>\$6,375</u>
Estimated Number of Scholarships Available	6,902	7,005	7,111	7,435	10,353
Average State Aid Per Pupil	<u>\$5,066</u>	<u>\$5,066</u>	<u>\$5,066</u>	<u>\$5,066</u>	<u>\$5,066</u>
Estimated Savings To State/Loss to Local Political Subdivisions Due To Transfer Qualified Students To Qualifying Schools (No Savings For First 5 - 7 Years)	\$0	\$0	\$0	37,667,594/(37,667,594)	52,448,000/(52,448,000)
Estimated Net Cost To General Revenue	Up to (\$50,000,000)	Up to (\$50,750,000)	Up to (\$51,511,250)	(\$16,196,606) up to (\$53,864,200)	(\$22,552,000) up to (\$75,000,000)

*Oversight notes the estimates above assume the funding provision for pupil transportation under Section 163.161 is met annually.

Section 135.714 – Requirements of Educational Assistance Organizations and Missouri State Treasurer

Oversight notes Section 135.714 establishes the requirements of education assistance organizations in regards to: intent to participate in the program and provide scholarship accounts to qualified students, financials/financial accountability/viability, distribution of money/revenue to scholarship accounts, test administration, test result reporting, student information reporting, educational reporting, parental satisfaction survey reporting, and audits.

Oversight notes this section establishes requirements of the State Treasurer in regards to: student privacy compliance, collection of test results, test result and associated learning gain(s) reporting, graduation rate reporting.

Oversight notes this section states distributions to Missouri Empowerment Scholarship accounts shall occur “four times per year or in a single lump sum at the beginning of the year as requested by the parent or guardian of a qualified student, **not to exceed a total grant amount equal to the state adequacy target [\$6,375]... calculated by the Department of Elementary and Secondary Education...**”

Oversight assumes, since Section 135.714 states distributions of money(s) shall not exceed a **total** grant amount equal to the state adequacy target, and since Section 135.714 does not specifically state that such distribution shall not exceed the state adequacy target annually, that the maximum grant each qualifying student may receive under this program totals \$6,375, regardless of the length of time such qualifying student participates in the program.

Oversight notes Section 135.714 states each educational assistance organization shall spend at least ninety percent (90%) of its revenues from qualifying contributions on scholarship accounts.

Therefore, **Oversight** estimates the total amount of revenue (contributions) that will be retained by educational assistance organizations (10% of its revenues from qualifying contributions) will equal the following (10% of estimated cumulative amount of tax credits available):

Fiscal Year	Retained By Educational Assistance Organizations
2023	\$5,000,000
2024	\$5,075,000
2025	\$5,151,125
2026	\$5,228,392
2027	\$5,306,818
2028	\$5,386,420
2029	\$5,467,216
2030	\$5,549,225
2031	\$5,632,463
2032	\$5,716,950
2033	\$5,802,704
2034	\$5,889,745
2035	\$5,978,091
2036	\$6,067,762
2037	\$6,158,779
2038	\$6,251,160
2039	\$6,344,928
2040	\$6,440,102
2041	\$6,536,703
2042	\$6,634,754
2043	\$6,734,275
2044	\$6,835,289
2045	\$6,937,818
2046	\$7,041,886
2047	\$7,147,514
2048	\$7,254,727
2049	\$7,363,548
2050	\$7,474,001
2051	\$7,500,000
2052	\$7,500,000
2053	\$7,500,000

*Impact reported in detail in Section 135.713

Oversight assumes, then, the retention of ten percent (10%) of the contributions received by educational assistance organizations will reduce the amount of contributions available to be used for scholarships. Oversight estimates the following amount(s) will be available for scholarships each year (estimated cumulative amount of tax credits less amount(s) retained by educational assistance organizations):

Fiscal Year	Estimated Amount Available For Scholarships After Amount(s) Retained By Educational Assistance Organization
2023	\$45,000,000
2024	\$45,675,000
2025	\$46,360,125
2026	\$47,055,527
2027	\$47,761,360
2028	\$48,477,780
2029	\$49,204,947
2030	\$49,943,021
2031	\$50,692,166
2032	\$51,452,549
2033	\$52,224,337
2034	\$53,007,702
2035	\$53,802,818
2036	\$54,609,860
2037	\$55,429,008
2038	\$56,260,443
2039	\$57,104,350
2040	\$57,960,915
2041	\$58,830,329
2042	\$59,712,784
2043	\$60,608,475
2044	\$61,517,602
2045	\$62,440,366
2046	\$63,376,972
2047	\$64,327,627
2048	\$65,292,541
2049	\$66,271,929
2050	\$67,266,008
2051	\$67,500,000
2052	\$67,500,000
2053	\$67,500,000

*Impact reported in detail in Section 135.713

Section 135.716 – Requirements of Missouri State Treasurer

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state Section 135.716.6 establishes the Missouri Empowerment Scholarship Accounts Fund which shall consist of funds collected under this section. The State Treasurer’s office is to receive two percent (2%) of qualifying contributions for marketing and administrative expenses of such program.

Oversight notes Section 135.716 establishes requirements of the Missouri State Treasurer in regards to: the format of a receipt to be issued by an educational assistance organization to a taxpayer, standardized formatting for the reporting required of educational assistance organizations, removing eligibility from educational assistance organizations from participating in the Missouri Empowerment Scholarship Program, and Missouri Empowerment Scholarship Program reporting.

Oversight notes Section 135.716 establishes the Missouri Empowerment Scholarship Accounts Fund (the Fund). The Fund shall consist of two percent (2%) of the total qualifying contributions received by each educational assistance organization per calendar year. The amount(s) deposited into the Fund shall be used by the Missouri State Treasurer for marketing and administrative expenses or the costs incurred in administering the program, whichever is less.

Therefore, **Oversight** estimates the total amount of revenue (contributions) that will be deposited into the Fund will equal the following (2% of estimated cumulative amount of tax credits available):

Fiscal Year	Estimated Amount Deposited Into Missouri Empowerment Scholarship Accounts Fund
2023	\$1,000,000
2024	\$1,015,000
2025	\$1,030,225
2026	\$1,045,678
2027	\$1,061,364
2028	\$1,077,284
2029	\$1,093,443
2030	\$1,109,845
2031	\$1,126,493
2032	\$1,143,390
2033	\$1,160,541
2034	\$1,177,949
2035	\$1,195,618
2036	\$1,213,552
2037	\$1,231,756
2038	\$1,250,232
2039	\$1,268,986
2040	\$1,288,020
2041	\$1,307,341
2042	\$1,326,951
2043	\$1,346,855
2044	\$1,367,058
2045	\$1,387,564
2046	\$1,408,377
2047	\$1,429,503
2048	\$1,450,945
2049	\$1,472,710
2050	\$1,494,800
2051	\$1,500,000
2052	\$1,500,000
2053	\$1,500,000

*Impact reported in detail in Section 135.713

Oversight will report a revenue gain (Transfer In) to the Missouri Empowerment Scholarship Accounts Fund equal to the amount(s) estimated above.

Oversight assumes, then, the amount of contribution(s) deposited into the Fund will further reduce the amount of contributions available to be used for scholarships. Oversight estimates the following amount(s) will be available for scholarships each year (estimated cumulative amount of tax credits less amount(s) retained by educational assistance organizations less amount(s) deposited into the Missouri Empowerment Scholarship Accounts Fund):

Fiscal Year	Estimated Amount Available For Scholarships After Amount(s) Retained By Educational Assistance Organization And After Amount(s) Deposited Into Missouri Empowerment Scholarship Accounts Fund
2023	\$44,000,000
2024	\$44,660,000
2025	\$45,329,900
2026	\$46,009,849
2027	\$46,699,996
2028	\$47,400,496
2029	\$48,111,504
2030	\$48,833,176
2031	\$49,565,674
2032	\$50,309,159
2033	\$51,063,796
2034	\$51,829,753
2035	\$52,607,200
2036	\$53,396,308
2037	\$54,197,252
2038	\$55,010,211
2039	\$55,835,364
2040	\$56,672,895
2041	\$57,522,988
2042	\$58,385,833
2043	\$59,261,620
2044	\$60,150,545
2045	\$61,052,803
2046	\$61,968,595
2047	\$62,898,124
2048	\$63,841,596
2049	\$64,799,220
2050	\$65,771,208
2051	\$66,000,000
2052	\$66,000,000
2053	\$66,000,000

*Impact reported in detail in Section 135.713

Oversight notes Section 135.716 states the Missouri State Treasurer or the Missouri State Auditor may conduct investigations if evidence is found of fraud by an educational assistance organization.

Section 135.719 – Promulgation of Rules

Oversight notes Section 135.719 states the Missouri State Treasurer and the Missouri Department of Revenue may promulgate rules to implement the provisions of Section(s) 135.712 to 135.719.

Oversight notes Section 135.719 states the provisions of the Section 23.253 of the Missouri Sunset Act shall not apply to Section(s) 135.712 to 135.719.

Section 166.700 – 166.705 – Missouri Empowerment Scholarship Accounts

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state qualified students are defined as any elementary or secondary student who is a resident of this state who is a resident of this state and resides in any county with a charter form of government or any city with at least thirty thousand (30,000) inhabitants: has an individualized education plan (IEP) or is a member of a household whose total annual income does not exceed an amount equal to two hundred percent (200%) of the income standard used to qualify for free and reduced lunch.

A qualified school is a charter school, a home school, a private school, a public school, or a public or private virtual school.

Oversight notes Section 166.705 states a parent of a qualified student may establish a Missouri Empowerment Scholarship Account for the student by entering into a written agreement with an educational assistance organizations.

Oversight notes a “Qualified Student” is defined as “any elementary or secondary school student who is a resident of this state and resides in any county with a charter form of government or any city with at least thirty thousand (30,000) inhabitants who: has an approved individualized education plan (IEP) developed under the Federal Individuals With Disabilities Education Act (IDEA), or is a member of a household whose total annual income does not exceed an amount equal to two hundred percent (200%) of the income standard used to qualify for free and reduced price lunches and meets at least one of the following qualifications: 1) attended a public school as a full-time student for at least one semester during the previous twelve (12) months, or is a child who is eligible to begin kindergarten or first grade under Section(s) 160.051 to 160.055”.

Per information published by the [United States Department of Education](#), there were approximately 132,638 children and students served under the Federal Individuals With Disabilities Education Act in the State of Missouri during the 2018-2019 school year. Of the total 132,638 children and students served, 12,606 were between 3 years old to 5 years old (non-kindergarten), 61,478 were between 5 years old (kindergarten) to 11 years old, 53,314 were between 12 years old to 17 years old, and 5,240 were between 18 years old to 21 years old.

In addition, according to the [Food Research and Action Center](#), children in households with incomes at or below 130% of the federal poverty level are eligible for free school meals and children in households with incomes between 130% and 185% of the federal poverty level are eligible for reduced-price school means. Oversight assumes these income(s) will serve as the “base” income level(s) when determining qualification to participate in the program created.

Based on information published by the [United States Health and Human Services](#), the federal poverty level(s), and the associated qualifying income(s) are:

Persons In Family/Household	Poverty Guideline	Income Standard Used To Qualify For Free Lunch (Maximum - 130%)	Income Standard Used To Qualify For Reduced Lunch (Maximum - 185%)	Qualifying Annual Income To Qualify For Missouri Empowerment Scholarship (200% Using Free Lunch Income Standard)	Qualifying Annual Income To Qualify For Missouri Empowerment Scholarship (200% - Using Reduced Lunch Income Standard)
1	\$12,880	\$16,744	\$23,828	\$33,488	\$47,656
2	\$17,420	\$22,646	\$32,227	\$45,292	\$64,454
3	\$21,960	\$28,548	\$40,626	\$57,096	\$81,252
4	\$26,500	\$34,450	\$49,025	\$68,900	\$98,050
5	\$31,040	\$40,352	\$57,424	\$80,704	\$114,848
6	\$35,580	\$46,254	\$65,823	\$92,508	\$131,646
7	\$40,120	\$52,156	\$74,222	\$104,312	\$148,444
8	\$44,660	\$58,058	\$82,621	\$116,116	\$165,242
For families/households with more than 8 persons, add \$4,540 for each additional person					

Oversight notes the written agreement with an educational assistance organization must provide that: 1) the qualified student shall enroll in a qualified school and receive an education in at least the subject of English language arts, mathematics, social studies, and science, and 2) except for a qualified student who is in the custody of the state, the qualified student shall not be enrolled in a public school operated by, or a charter school located within, the qualified student's district of residence and shall release the district of residence from all obligations to educate the qualified student while the qualified student is enrolled in the program.

Oversight notes a "Qualified School" is defined as "a home school as defined in Section 167.031 or any of the following entities that is incorporated in Missouri that does not discriminate on the basis of race, color, or national origin: a charter school, a private school, a public school, or a public or private virtual school".

Oversight notes Section 166.705 states the qualified student shall receive a grant, in the form of moneys deposited in the qualified student's Missouri Empowerment Scholarship Account.

The money(s) deposited into the qualified student's Missouri Empowerment Scholarship Account shall be used for: tuition or fees at a qualified school, textbooks required by a qualified school, educational therapies or services from a licensed or accredited practitioner or provider including, but not limited to, licensed or accredited paraprofessionals or educational aides, tutoring services, curriculum, tuition or fees for a private virtual school, fees for a nationally standardized norm-referenced achievement test, advanced placement examinations, international baccalaureate examinations or any examinations related to college or university admission, fees for management of the Missouri Empowerment Scholarship Account by firms selected by the educational assistance organization, services provided by public school, including, but not limited to, individual classes and extracurricular programs, computer hardware or other technological devices that are used to help meet the qualified student's educational needs and that are approved by an educational assistance organization, fees for summer education programs and specialized after-school education programs, and transportation costs for mileage to and from a qualified school.

The money(s) deposited into the qualified student's Missouri Empowerment Scholarship Account shall not be used for: consumable educational supplies, including, but not limited to, paper, pens, pencils, or markers, tuition at a private school located outside of the State of Missouri, and payments or reimbursements to any person related within the third degree of consanguinity or affinity to a qualified student.

Oversight notes Section 166.705 states Missouri Empowerment Scholarships are renewable on an annual basis upon request of the parent of the qualified student. A student who has previously qualified for a Missouri Empowerment Scholarship Account shall remain eligible to apply for renewal until the student completes high school and submits scores to the Missouri State Treasurer from a nationally standardized norm-reference achievement test, advanced placement examination, international baccalaureate examination or any examination related to college or university admission purchased with Missouri Empowerment Scholarship Funds.

Oversight notes, per Section 135.714 states distributions to Missouri Empowerment Scholarship accounts shall occur "four times per year or in a single lump sum at the beginning of the year as requested by the parent or guardian of a qualified student, **not to exceed a total grant amount equal to the state adequacy target [\$6,375]... calculated by the Department of Elementary and Secondary Education...**"

Oversight is unable to determine whether a "renewal" constitutes as a "new" Missouri Empowerment Scholarship Account which could potentially allow for a qualified student to receive a total amount of grant(s) in excess of the state adequacy target, or if a renewal is a mechanism to collect additional grant(s) provided an amount equal to the state adequacy target has not yet been received by the qualified student.

Oversight notes Section 166.705 states that any funds remaining in a Missouri Empowerment Scholarship account after a student: withdraws from the program, is disqualified from the program, or graduates shall be returned to the educational assistance organization for redistribution to other qualifying students.

Oversight notes Section 166.705 states moneys received under Section(s) 166.700 to 166.720 shall not constitute Missouri taxable income to the parent of the qualified student.

Oversight has included the provisions of Section 166.705 in the impact(s) reported in Section 135.713.

Section 166.710 – Auditing of Missouri Empowerment Scholarship Accounts

Oversight notes Section 166.710 states, beginning in the 2023-2024 school year and continuing thereafter, the Missouri State Treasurer shall conduct or contract for annual audits, and may conduct or contract for random and quarterly audits as needed, of Missouri Empowerment Scholarship accounts to ensure compliance with the requirements.

Oversight notes Section 166.710 states a parent, qualified student, or vendor may be disqualified from program participation at the discretion of the Missouri State Treasurer. If a parent, qualified student, or vendor is disqualified from program participation at the discretion of the Missouri State Treasurer, such parent, qualified student, or vendor may appeal such decision to the Administrative Hearing Commission.

Officials from the **Administrative Hearing Commission (AHC)** do not anticipate this proposed legislation will significantly alter its caseload. Should similar bills pass, though, resulting in more cases, there will be a fiscal impact to AHC.

Oversight notes Section 166.710 states the Missouri State Treasurer may refer cases of substantial misuse of moneys to the Missouri Attorney General for investigation if the Missouri State Treasurer obtains evidence of fraudulent use of an account.

Officials from the **Missouri Attorney General's Office (AGO)** assume any additional litigation costs arising from this proposed legislation can be absorbed with existing personnel and resources. However, the AGO may seek additional appropriations if there is a significant increase in litigation.

Section 166.715 – Cause for Criminal Charge

Oversight notes Section 166.715 states a person commits a Class A misdemeanor if the person is found to have knowingly used moneys for purposes other than those provided for.

Section 166.720 – Qualified Schools

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state Section 166.720.4 states that students receiving a Missouri Empowerment Scholarship who leave a public or charter school may continue to be counted in the resident public or charter school's weighted average daily attendance for the purposes of determining state and federal aid. This provision terminates five (5) years after the effective date of the program. B&P defers to the Missouri Department of Elementary and Secondary Education for the impact to the formula.

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** states this provision would allow a school district or charter school to continue to claim a student who leaves their resident district with an ESA for the purposes of state aid for up to five (5) years. This provision will negate any potential savings to the foundation formula that would be realized as a result of a student leaving their resident district for a non-public school option.

This section will also require programming changes to the foundation formula payment system. DESE estimates these costs at approximately \$50,000.

For purposes of this fiscal note, **Oversight** will include DESE's estimated cost for programming changes to the foundation formula payment system as a one-time cost incurred in Fiscal Year 2022.

Oversight notes Section 166.720 states any qualified student receiving a Missouri Empowerment Scholarship who leaves a public school or charter school in the qualified student's resident school district to enroll in a qualified school that is not the qualified student's resident school district shall continue to be counted in the resident public or charter school's weighted average daily attendance as a resident student for purposes of determining state and federal aid for the qualified student's resident school district or charter school.

The qualified student shall continue to be counted for such purpose for five (5) years after the qualified student no longer attends school in the qualified student's resident school district, until any calendar year that the qualified student no longer receives grant money in their scholarship account, until the qualified student is counted in the weighted average daily attendance for a public school or charter that they are a resident school in or until the qualified student graduates.

Oversight notes Section 166.720 states the educational assistance organization and the Missouri State Treasurer shall provide the necessary information to the Missouri Department of Elementary and Secondary Education to allow the federal and state aid to continue to the public school or charter school in the qualified student's resident school district previously attended by the qualified student.

The provisions of the (maximum) five year extension to count qualified students when determining federal and state aid shall terminate five years after the effective date of this proposed legislation.

Oversight notes Section 166.720 states the provisions of Section 23.253 of the Missouri Sunset Act shall not apply to Section(s) 166.700 to 166.720.

Oversight has included the provisions of Section 166.720 in the impact(s) reported in Section 135.713.

Legislation as a Whole –

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 SOS can sustain with SOS's core budget. Therefore, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.

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

Officials from the **Missouri Department of Commerce and Insurance**, the **Missouri Department of Public Safety – Missouri State Highway Patrol**, the **Missouri Department of Social Services**, the **Office of Administration**, the **State Public Defender**, the **Missouri State Auditor's Office**, the **Missouri Office of Prosecution Services**, and the **Office of State Courts Administrator** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2051)
GENERAL REVENUE FUND				
<u>Revenue Reduction</u> – Section 135.713 – Tax Credit For Contribution(s) To Educational Assistance Organizations – Enactment Dependent On Section Pupil Transportation Appropriation – p. 5-15	\$0	Up to (\$50,000,000)	Up to (\$50,750,000)	Up to (\$75,000,000)
<u>Savings/Cost Avoidance –</u> Section(s) 135.714 & 166.705 – State School Moneys Fund Transfers Decreased Due To Transfer Of Qualified Students – p. 14, 16-18, 21-25	\$0	\$0	\$0	\$0 up to \$52,448,000
<u>Cost – DESE –</u> Section 166.720 – Programming Changes To Foundation Formula Payment System – p. 26	(\$50,000)	\$0	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$50,000)	Up to (\$50,000,000)	Up to (\$50,750,000)	Up to (\$22,552,000) to (\$75,000,000)

STATE SCHOOL MONEYS FUND (0616)				
<u>Savings/Cost Avoidance</u> – Section(s) 135.714 & 166.705 – Reduced Transfer To Local Public School Districts Due To Transfer Of Qualified Students – p. 14, 16-18, 21-25	\$0	\$0	\$0	\$0 up to \$52,448,000
<u>Loss</u> – Section(s) 135.714 & 166.705 – Reduced General Revenue Transfer To State School Moneys Fund – Decreased ADA Due To Transfer Of Qualified Students – p. 14, 16-18, 21-25	\$0	\$0	\$0	\$0 up to (\$52,448,000)
ESTIAMTED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND				
<u>Transfer In</u> – Section 135.716 – 2% Of Qualifying Contributions To Educational Assistance Organizations – p. 18-21	\$0	Up to \$1,000,000	Up to \$1,015,000	Up to \$1,500,000
<u>Cost</u> – STO - Section 135.716 – Audits – p. 18-21	\$0	\$0	(Unknown)	(Unknown)
<u>Cost</u> – STO - Section(s) 135.713 & 135.716 – Tax Credit Program and Missouri Empowerment Scholarship Accounts Program Responsibilities – p. 10, 18-21				
Personnel Services	(\$157,571)	(\$190,976)	(\$192,886)	(\$252,335)
Fringe Benefits	(\$90,052)	(\$108,638)	(\$109,220)	(\$127,334)
Equipment & Expense	(\$57,000)	(\$21,836)	(\$22,491)	(\$47,131)
Total Cost	(\$304,623)	(\$321,450)	(\$324,597)	(\$426,800)
FTE Change - STO	4 FTE	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND	(\$304,623)	Up to \$678,550	Up to \$690,403	Up to \$1,073,200

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2051)
LOCAL SCHOOL DISTRICTS/CHARTER SCHOOLS				
<u>Savings – Section(s) 135.714 & 166.705 – Reduced Fixed Costs Due To Transfer of Qualified Students Out Of School District Or To Non-Public School – p. 14, 16-18, 21-25</u>	\$0	Unknown	Unknown	Unknown
<u>Loss – Section(s) 135.714 & 166.705 – Decrease State Funding For Schools Due To Decreased ADA From Transfer Of Qualified Students - p. 14, 16-18, 21-25</u>	\$0	\$0	\$0	(\$52,448,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	Unknown	Unknown	Up to (\$52,448,000)

FISCAL IMPACT – Small Business

This proposed legislation could impact any small business that makes a qualifying donation to an educational assistance organization as such small business could receive a tax credit that would reduce or eliminate the small business's state tax liability.

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. The cumulative amount of tax credits issued in any one calendar year begins at \$50 million and may be adjusted by the state treasurer annually based upon inflation with a maximum cap of \$75 million. The State Treasurer shall establish procedures for tax credits to be awarded to an educational assistance organization (EAO) on a first come first served basis, and if an EAO fails to use allocated credits the State Treasurer may reallocate credits to ensure that taxpayers may claim all available credits annually. Taxpayers making contributions may not designate the student that receives a scholarship, and EAO's shall meet certain requirements and provide specified information during an annual audit.

The State Treasurer shall provide a standardized format for a receipt to be issued by the EAO to indicate the value of a contribution received as well as a standardized format for EAOs 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 EAO. The EAO 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.

A qualified student may receive a grant to be deposited in the student's Missouri Empowerment Scholarship Account if he or she is a resident of Missouri and resides in any county with a charter form of government or any city with at least 30,000 inhabitants, and has an IEP or is a member of a household whose total annual income does not exceed an amount equal to 200% of the income standard used to qualify for free and reduced price lunches and has attended a public school as specified in the bill or is entering Kindergarten or first grade. Missouri Empowerment Scholarship Accounts are renewable on an annual basis. Moneys deposited into the account shall be used for specified services and fees, but may not be payments to any person related within the third degree of consanguinity to the qualified student. 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 EAO for redistribution to other qualified students.

Beginning in the 2023-24 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.

The bill becomes effective in the fiscal year that the appropriation for pupil transportation under Section 163.161, RSMo, equals or exceeds 40% of the projected amount necessary to fully fund the public transportation state aid. Any year that transportation funding falls below this threshold no new scholarships shall be awarded.

The bill allows school districts for qualified students that receive a scholarship and leave their resident district to continue to be counted for state aid purposes for five years, or until criteria outlined in the bill are met. This provision will end five years after the effective date of the bill.

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

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



Julie Morff
Director
June 30, 2021



Ross Strobe
Assistant Director
June 30, 2021