

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0748H.03R
Bill No.: Re-Perfected HCS for HB 320
Subject: Education, Elementary and Secondary; Science and Technology; Elementary and Secondary Education, Department of; Teachers
Type: Original
Date: April 14, 2021

Bill Summary: This proposal changes provisions relating to elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue	(\$1,566,717 to could exceed \$7,217,513)	(\$3,748,310 to could exceed \$21,783,242)	(\$4,382,434 to could exceed \$22,623,634)	(\$1,182,608 to could exceed \$5,957,597)
Total Estimated Net Effect on General Revenue	(\$1,566,717 to could exceed \$7,217,513)	(\$3,748,310 to could exceed \$21,783,242)	(\$4,382,434 to could exceed \$22,623,634)	(\$1,182,608 to could exceed \$5,957,597)

*The actual impact of the changes to the MOST program is dependent upon utilization. If a percentage of participants utilize the expansion (to include repayment of student loan debt) similar to those currently using the MOST program to fund K-12 and higher education, the lower estimates should be used. If utilization percentage is similar to those claiming student loan interest deduction on their tax returns, the larger estimates should be used. If a larger population of those with student loan debt utilize the program, Oversight used “could exceed”.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Total Estimated Net Effect on All 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 2029)
General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE	1 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 2029)
Local Government	\$0	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 170.018 Computer Science Course

Officials from **Department of Elementary and Secondary Education (DESE)** assume this proposal would require updates to the June Core Data/MOSIS cycle to accommodate the bill's requirements:

Adding a field to the MOSIS collection for Computer Science course description:
\$10,000 (one-time); \$3,000 maintenance (annual)

Adding a field to the MOSIS collection for Computer Science applicable standards: \$10,000 (one-time); \$3,000 maintenance (annual).

DESE projects programming for the annual report to be published to cost \$25,000 (one time cost) for a total cost of \$45,000 (\$10,000 + \$10,000 + \$25,000) and an ongoing cost of \$6,000 (\$3,000 + \$3,000).

The legislation also requires the department to add 1.0 FTE Computer Science Supervisor/Director (\$51,288).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by DESE for fiscal note purposes.

In response to a previous version, officials from the **High Point R-III School District** assumed the proposal will have no fiscal impact on their organization.

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

Oversight assumes this proposal requires each school to offer at least one computer science course. Oversight is uncertain how many schools currently offer computer science courses. Oversight assumes there could be costs for those school districts that are not currently offering a computer science course; therefore, Oversight will show an unknown cost to school districts beginning in FY 2023.

Section 170.036 Computer Science Task Force

Officials from **DESE** state if it is meant for the task force to be controlled under DESE then the estimate for the cost of the task force meetings is \$30,000. The department could have additional costs in the future dependent upon the findings of the task force, therefore, the department will show the impact as a range to unknown.

Oversight will show the costs for two Task Force meetings at \$30,000 each as estimated by DESE beginning in FY 2022. Oversight assumes the Task Force is dissolved at the end of FY 2023.

In addition, **Oversight** will show a potential unknown cost for on-going evaluation and implementation of task force findings. Oversight assumes this cost would be dependent on the findings and recommendations of the task force.

Oversight notes, per the [Tennessee Computer Science State Education Plan](#), task force recommendations included regional trainings (\$30,713), grants to educators (\$300,000) and K-8 computer science standards and trainings (\$84,000). Based on these estimates, Oversight will show a range of impact of \$0 (cost of implementing task force finding can be absorbed with existing appropriations) to an unknown cost that could exceed \$250,000.

Officials from the **Department of Higher Education and Workforce Development, Missouri Ethics Commission, Office of the Governor and Missouri House of Representatives** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Missouri State Senate** anticipate a negative fiscal impact to reimburse 2 Senators for travel to task force meetings. It will cost approximately \$224.46 per meeting.

Oversight assumes the General Assembly could absorb the cost of the Task Force meetings within the current appropriation levels and will not reflect a fiscal impact.

Oversight received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

House Amendment 2 - Section 166.400 to 166.455 & 209.610 – Missouri Education Savings Program

Oversight notes this section changes the name of the Missouri Education Savings Program to the Missouri Education Program.

In response to a similar proposal, SCS for SB 152 (2021), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation renames the “Missouri Education Savings Program” to the “Missouri Education Program.”

B&P assumes this proposed legislation may reduce General Revenue (GR) and Total State Revenue (TSR) between \$13,592,420 and \$16,248,600 in Fiscal Year 2022, between \$40,022,126 and \$48,745,800 in Fiscal Year 2023, and between \$39,266,992 and \$48,745,800 in Fiscal Year 2024.

In response to a similar proposal, SCS for SB 152 (2021), officials from the **Missouri Department of Revenue (DOR)** stated this proposed legislation changes the name of the Missouri Education Savings Program to the Missouri Education Program.

House Amendment 2 Section 166.410 – Missouri Education Savings Program - Definitions

In response to a similar proposal, SCS for SB 152 (2021), officials from **B&P** stated this proposed legislation changes the definition of “eligible education institution” from those specified in Sections 529(e)(5), 529(c)(7), and 529(e)(3) to all references in Section 529. B&P notes that this would allow individuals to use the savings account program for student loan repayment.

Based on research, B&P determined that the average student loan in Missouri was between [\\$29,613](#) and [\\$35,400](#). Assuming individuals use a 10-year repayment plan the average annual repayment amount would be between \$2,961.30 and \$3,540. In Tax Year 2018, the most recent complete tax year data available, there were 255,000 tax filers that claimed the federal tax deduction for student loan interest. Therefore, B&P estimates that approximately \$755,134,461 to \$902,700,000 in deductions could be claimed under this provision.

However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from [SB 509 \(2014\)](#).

	Current Law	Future Top Tax Rates		
Tax Rate	5.4%	5.3%	5.2%	5.1%
GR Loss - Low	(\$40,777,261)	(\$40,022,126)	(\$39,266,992)	(\$38,511,858)
GR Loss - High	(\$48,745,800)	(\$47,843,100)	(\$46,940,400)	(\$46,037,700)

B&P notes that this provision would take effect August 28, 2021; allowing individuals to use the savings account plan for four (4) months of Tax Year 2021. Therefore, B&P estimates that this proposed legislation will reduce TSR and GR by \$13,592,420 to \$16,248,600 in Fiscal Year 2022. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by \$38,511,858 to \$46,037,700 annually.

Oversight notes B&P has estimated the impact(s) of individuals first contributing/depositing their (re)payment of student loan principle or interest into a 529 savings account, permitting them to recognize tax savings.

Oversight notes B&P's analysis suggests individuals will be on a ten (10) year repayment plan. Oversight assumes a ten (10) year repayment plan is the default repayment plan. However, after conducting independent research, Oversight assumes the average term of repayment of student loan(s) totals anywhere between [twenty \(20\)](#) and twenty-five (25) years (Oversight estimate).

Furthermore, **Oversight** notes individuals would **not** be able to deduct the total average student loan amount on their Missouri taxes. This proposed legislation caps the amount that is permitted to be (re)payed through a student's 529 savings account at \$10,000.

Thus, Oversight anticipates the impact(s) of this section will increase for several years post implementation, and then decrease and flatten out afterwards.

In response to a similar proposal, SCS for SB 152 (2021), officials from the **Missouri State Treasurer's Office (STO)** stated this section expands the MOST 529 Education Plan Program to allow for the repayment of student loans up to \$10,000 per beneficiary.

STO anticipates this section will reduce state revenues by:

- \$1,409,653 in Fiscal Year 2022
- \$3,623,683 in Fiscal Year 2023
- \$4,286,929 in Fiscal Year 2024
- \$4,346,834 in Fiscal Year 2025 and Fiscal Year 2026
- \$2,895,764 in Fiscal Year 2027
- \$1,444,695 in Fiscal Year 2028
- \$1,081,927 in Fiscal Year 2029 and each year thereafter.

Oversight assumes STO anticipates a 4.13% participation rate among individuals who will (re)pay their student loans through MOST 529 Education Savings accounts.

Oversight has estimated a **maximum** participation rate equal to 31.64%. Oversight notes the participation rate of 31.64% is among individuals who currently owe student loan debt and is **not** a participation rate based on the population of Missouri.

Oversight notes 31.64% is equal to the number of Missouri taxpayers that claimed the student loan interest deduction for Tax Year 2018 (255,000) divided by the number of individuals who currently have student loan debt (806,000).

Oversight assumes such individuals may seek tax benefits/savings that are available while adhering to their student loan obligations/terms and would continue to seek such benefits/savings as federal and state laws and programs are modified.

Oversight notes STO estimates the annual (re)payment per student to be \$4,464. This is the result of STO's estimated monthly (re)payment of \$372 multiplied by 12. Therefore, Oversight assumes STO anticipates taxpayers will receive full benefit within 2.25 years (\$10,000 / \$4,464).

Oversight calculated an average monthly (re)payment amount of \$128 and an annual (re)payment amount of \$1,536 (\$10,000 / \$1,536). Therefore, Oversight estimates that taxpayers with student loan debt would experience tax savings for a total of seven (7) tax years as a result of the \$10,000 cap placed on the total amount permitted to be contributed/deposited into MOST 529 Education Savings accounts and used for such (re)payment (\$10,000 / \$1,536).

Oversight notes, the larger the monthly payment used to calculate an annual repayment, the faster an individual will reach maximum benefit under this proposed legislation.

Oversight assumes STO's analysis suggests full participation in the program would not occur until the fifth (5th) year post implementation.

Oversight did not use a ramp up period (time until full participation is recognized) when estimating the fiscal impact of this proposed legislation.

For purposes of this fiscal note, **Oversight** will range the revenue reduction to GR beginning with STO's estimates to an amount that "could exceed" the impacts estimated by Oversight (as stated below), depending upon utilization of these changes.

In response to a similar proposal, SCS for SB 152 (2021), officials from **DOR** stated this proposed legislation would remove the language "529(e)(3)" and replace it with "529" of the Internal Revenue Code. Section 529 of the Internal Revenue Code allows for the repayment of principal and interest on student loans as an allowable expense. Therefore, a taxpayer would be allowed to run their student loan payment through their Missouri Education Savings Program Account (MOST account) and do it tax free.

Oversight notes the language changes mentioned by DOR occur within the definition of "Qualified Higher Education Expenses or Qualified Education Expenses".

In response to a similar proposal, SCS for SB 152 (2021), officials from **DOR** stated, based on information from the Institute for College Access and Success, the average student loan debt in Missouri is \$27,108. Assuming an annual tax rate of 5.3%, and based on the number of Missouri filers who claim the student loan interest deduction (255,000) this would result in over \$36,490,500 loss to GR annually.

\$27,000 student loan amount = \$225 per month payment

X 5.3% tax rate

\$11.925 monthly tax loss

X 12 months

\$143.10 total tax loss per person per year

X 255,000

\$36,490,500 loss to state

DOR notes this proposal would become effective August 28, 2021 and therefore only four (4) months of payments would be claimed in Fiscal Year 2022. The first full year of loss would occur in Fiscal Year 2023.

DOR assumes the following loss to GR:

Fiscal Year 2022	(\$12,163,500)
Fiscal Year 2023	(\$36,490,500)
Fiscal Year 2024	(\$36,490,500)

Oversight notes DOR's analysis suggests individuals will be on a ten (10) year repayment plan. Oversight assumes a ten (10) year repayment plan is the default repayment plan. However, after conducting independent research, Oversight assumes the average term of repayment of student loan(s) totals anywhere between twenty (20) and twenty-five (25) years.

Oversight notes this section modifies the definition of "Eligible Educational Institution"

The current definition is "an institution of post-secondary education as defined in Section 529 (e)(5) of the Internal Revenue Code, and institutions of elementary and secondary education as provide din Section 529 (c)(7) and 529 (e)(3) of the Internal Revenue Code".

This section modifies the definition to define an "Eligible Educational Institution" as "an eligible education institution as defined in Section 529 of the Internal Revenue Code".

Oversight notes this section modifies the definition of "Qualified Higher Education Expenses or Qualified Education Expenses".

The current definition is "the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 (e)(3) of the Internal Revenue Code.

This section modifies the definition to define "Qualified Higher Education Expenses" or "Qualified Education Expenses" as "the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 of the Internal Revenue Code.

Oversight assumes this section would allow individuals to first deposit/contribute the amount(s) of principal and/or interest applicable for qualified education loan (re)payment into established Missouri Educational Savings accounts (MOST accounts/529 accounts) prior to actual (re)payment of such loan. Such repayment would then be paid with the funds initially deposited/contributed into the participating individual's MOST account.

Oversight assumes this would permit such individuals to recognize Missouri tax savings while completing the obligations/terms of their qualified educational loan(s).

Per Section 166.435, amount(s) deposited/contributed to MOST accounts may be subtracted from the individual's Federal Adjusted Gross Income to determine the individual's Missouri Adjusted Gross Income. The maximum annual amount that may be subtracted cannot exceed \$8,000 per taxpayer.

Oversight notes pre-tax subtractions from income do not reduce revenue(s) on a dollar-for-dollar basis. The estimated amount of deduction must be multiplied by the applicable tax rate to estimate the impact to state revenue(s).

Oversight assumes this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight assumes Fiscal Year 2022 would be impacted by this section for four (4) months.

According to the [Federal Student Aid – U.S. Department of Education](#), as of March 31, 2020, students and past students of Missouri have an outstanding balance of federal student aid debt equal to \$28,380,000,000. Additionally, there are approximately 806,000 borrowers. Oversight assumes, then, the average amount per borrower is \$35,211 ($\$28,380,000,000 / 806,000$). Oversight calculated the estimated number of years it takes one of the 806,000 individuals that have an outstanding balance of federal student aid debt to repay the amount in full; Oversight estimates a (re)payment term of approximately 22.89 years. Therefore, Oversight estimates \$1,239,808,754 in federal student aid debt is paid annually by Missouri's federal student aid debtors ($\$28,380,000,000 / 22.89$). Having calculated the estimated amount of federal student aid debt that is repaid annually by all Missouri federal student aid debtors, Oversight estimates approximately \$1,538 is paid annually by each debtor ($\$1,239,808,754 / 806,000$), or \$128 each month ($\$1,538 / 12$). This would allow these students to experience tax benefits/savings as a result of this proposed legislation for an estimated 7 years ($\$10,000 / \$1,538$). Using these statistics in conjunction with Oversight's estimated participation rate (31.64%), Oversight calculated the estimated reduction to GR from existing federal student aid debtors.

Furthermore, per the [National Student Clearinghouse Research Center](#), each year in Missouri, there are approximately 44,573 first time college graduates and 13,370 college graduates earning additional awards each for a total of 58,123 graduates. Per the [Institute for College Access and Success](#), approximately 58% of the students who graduate from a four year (or above) institution had outstanding federal loan debt. Therefore, Oversight estimates 33,711 new students graduate each year with debt ($44,573 + 13,370 * 58\%$). Using the statistics provided in the previous paragraph, Oversight calculated the estimated reduction to GR from the newest graduates each year and added them to the estimated reduction to GR from existing federal student aid debtors. Oversight notes that, with new graduates included in the analysis each year, the reduction to GR will increase for seven (7) years until the existing federal student aid debtors reach their maximum benefit and no longer participate in this program.

Upon completing the analysis, Oversight assumes this section would reduce GR by the following amount(s):

Fiscal Year	Cost
2022	\$ 7,060,449
2023	\$ 21,658,615
2024	\$ 22,528,129
2025	\$ 23,397,644
2026	\$ 24,267,158
2027	\$ 25,136,672
2028	\$ 26,006,186
2029	\$ 5,856,916
2030	\$ 5,856,916

For purposes of this fiscal note, since B&P and DOR used what appears to be a term of repayment (10 years) less than what many sources suggest (20-25 years), and since STO's impacts are calculated using a participation rate based on current experience, Oversight will range the revenue reduction to GR beginning with STO's estimates to an amount that "could exceed" the impacts estimated by Oversight, depending upon utilization of these changes.

In response to a similar proposal, SCS for SB 152 (2021), officials from the **Missouri Department of Elementary and Secondary Education**, the **Missouri Department of Higher Education and Workforce Development**, the **Springfield R-XII School District**, the **Missouri State University**, the **Northwest Missouri State University**, the **University of Central Missouri**, and the **St. Charles Community College** do not anticipate this provision would 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.

House Amendment 3 as amended - Section 162.052 - School Board Petition

Oversight does not anticipate a direct fiscal impact from this provision.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
GENERAL REVENUE FUND				
<u>Costs - DESE - §170.018 p. 3</u>				
Personal Service	(\$42,740)	(\$51,801)	(\$52,319)	(\$54,988)
Fringe Benefits	(\$24,375)	(\$29,423)	(\$29,598)	(\$31,108)
Expense & Equipment	(\$14,949)	(\$7,403)	(\$7,588)	(\$8,585)
<u>Total Costs</u>	(\$82,064)	(\$88,627)	(\$89,505)	(\$94,681)
FTE Change – DESE	1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs - DESE - updates to the June Core Data/MOSIS cycle - §170.018 p. 8</u>	(\$45,000)	(\$6,000)	(\$6,000)	(\$6,000)
<u>Costs - DESE - task force meetings - §170.036 p. 3</u>	(\$30,000)	(\$30,000)	\$0	\$0
<u>Costs - DESE- on-going evaluation and implementation of task force findings - §170.036 p. 4</u>	<u>\$0</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction – p. 6-10 Section(s) 166.410 & 166.435 – Subtraction From Federal Adjusted Gross Income For Contributions/Deposits Into 529/MOST Savings Accounts</u>	(\$1,409,653 to could exceed <u>\$7,060,449</u>)	(\$3,623,683 to could exceed <u>\$21,658,615</u>)	(\$4,286,929 to could exceed <u>\$22,528,129</u>)	(\$1,081,927 to could exceed <u>\$5,856,916</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$1,566,717 to could exceed <u>\$7,217,513</u>)	(\$3,748,310 to could exceed <u>\$21,783,242</u>)	(\$4,382,434 to could exceed <u>\$22,623,634</u>)	(\$1,182,608 to could exceed <u>\$5,957,597</u>)
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
SCHOOL DISTRICTS				
<u>Costs - to offer computer science course - §170.018 p. 3</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT SCHOOL DISTRICTS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Section 170.018 - This section modifies the definition of "computer science course" by including any elementary, middle, or high school course that embeds computer science content within other subjects.

This act requires, for all school years on or after July 1, 2022, certain coursework and instruction in computer science and computational thinking in public and charter high schools, middle schools, and elementary schools. Courses and instruction offered under this act must meet certain standards established by the State Board of Education and the Department of Elementary and Secondary Education.

This act requires school districts to submit to the Department certain information related to its computer science courses and demographic enrollment information for such courses.

Computer science courses successfully completed and counted toward state graduation requirements shall be equivalent to one mathematics, science, or practical arts credit for the purpose of satisfying admission requirements at any public institution of higher education in the state.

Section 170.036 - This section establishes the Computer Science Education Task Force.

House Amendment 2 - Section 166.400 - This proposed legislation renames the Missouri Education Savings Program to the Missouri Education Program.

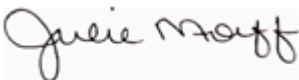
This proposed legislation modifies the definition of “eligible education institution” to include all eligible educational institutions, rather than just institutions of postsecondary education.

This proposed legislation modifies the definition of ““qualified higher education expenses or qualified education expenses”. This modification will allow individuals to first deposit/contribute the amount(s) of principal and/or interest applicable for qualified education loan (re)payment into established Missouri Educational Savings accounts (MOST accounts/529 accounts) prior to actual (re)payment of such loan.

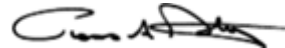
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Elementary and Secondary Education
Missouri Department of Higher Education and Workforce Development
Missouri Department of Revenue
Missouri Senate
Missouri House of Representatives
Office of the Governor
Missouri Ethics Commission
Missouri State Treasurer’s Office
Missouri State University
Northwest Missouri State University
University of Central Missouri
St. Charles Community College
State Technical College of Missouri
High Point R-III School District
Springfield R-XII School District



Julie Morff
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