

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3388H.011
Bill No.: HB 1615
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary
Education,
Type: Original
Date: February 11, 2024

Bill Summary: This proposal changes the definition of "qualified student" for purposes of Missouri Empowerment Scholarship accounts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- 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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** note:

Department of Elementary and Secondary Education (DESE) assumes continued calculations will need to be made pursuant to 166.720(4) through August 28, 2026. Due to expanding the potential scholarship participant pool DESE will require a temporary staff to assist in verification at a cost of \$52,980 - \$96,520. This staff member would be responsible for performing manual verification of the information as required by the scholarship language. DESE estimates a part-time to full-time staff member would be required depending on the number of schools and students participating.

If the scholarship fund received \$25 million to match the current tax credit, it would fund almost 4,000 scholarships. If it took 15 minutes each to do the verification, it would translate to 1,000 hours needed to verify the data. If additional scholarships are being awarded it will require an additional time to perform the verification.

Officials from the **Office of the State Treasurer (STO)** note:

The proposal will have a direct fiscal impact on STO. STO estimated the need for 2 FTE up to 4 FTE. The salary is the base salary for that type of position, the IT, and Equipment costs are a range provided by our IT Staff and purchasing staff based on recent purchases of the same nature. The space requirements are based on the latest number provided with the budget by FMDC.

The MESAP Program is in its infancy and therefore would not feel comfortable expending current funds when they are needed for planned expansion of the program within its current statutory parameters.

Oversight assumes this proposal modifies the definition of "qualified student" to expand which students may qualify for a Missouri empowerment scholarship account. However, Oversight notes this proposal does not increase the cap.

For purposes of this fiscal note, **Oversight** will not show an additional cost from expanding the definition of qualified student as the full value of the tax credit cap (full participation) was accounted for in HB 349 (2021) & SB 86 (2021). Increasing the number of students who may participate will not impact the amount of tax credits.

Oversight, for informational purposes, requested additional information from the STO below:

Number of Student Awarded (by Grade Level) 2022-2023 School Year														
EAO Name	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Agudath Israel	30	22	2	0	2	3	2	1	1	7	2	1	2	75
Bright Futures	112	87	19	21	14	21	23	14	7	40	3	3	0	364
Children's Tuition	6	9	2	0	0	0	4	3	1	2	0	1	1	29
Herzog Tomorrow	160	143	14	24	39	36	45	57	35	30	9	8	4	604
Missouri District	21	15	3	7	12	11	9	7	2	7	1	2	0	97
Today and Tomorrow	28	20	5	6	10	18	26	11	18	27	11	8	3	191
Total	357	296	45	58	77	89	109	93	64	113	26	23	10	1360

Number of Student Awarded (by Grade Level) 2023-2024 School Year														
EAO Name	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Agudath Israel	23	21	27	11	3	1	5	6	2	4	6	5	2	116
Bright Futures	154	107	119	59	40	34	43	37	25	51	28	23	4	724
Children's Tuition	9	11	4	7	3	2	1	4	2	2	1	3	2	51
Herzog Tomorrow	12	83	158	35	26	29	40	33	35	38	22	15	9	535
Missouri District	14	20	20	7	6	14	22	8	6	8	4	6	1	136
Today and Tomorrow	43	54	27	19	32	23	39	36	32	67	27	21	15	435
Total	255	296	355	138	110	103	150	124	102	170	88	73	33	1997

Additionally, officials from the **STO** note:

Scholarships are funded through tax credit based donations made directly to a certified Educational Assistance Organization (EAO). Each EAO awards scholarships from these donations. The fund the STO uses for administration and marketing is not used to award scholarships.

The EAOs awarded 1,360 students scholarships in the 2022-2023 school year at a total of \$7,733,022.

The EAOs awarded 1,997 students scholarships in the 2023-2024 school year at a total of \$12,730,875.

Oversight notes that the average scholarship per pupil were as follow:

2022-2023 - **\$5,686** (\$7,733,022/1,360)

2022-2024 - **\$6,375** (\$12,730,875/1997)

Officials from the **Office of Administration – Budget & Planning (B&P)** and **Department of Revenue** both assume the proposal will have no fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR and B&P organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

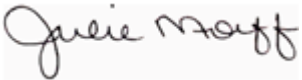
FISCAL DESCRIPTION

This bill modifies the definition of "qualified student" to expand which students may qualify for a Missouri empowerment scholarship account. The definition changes from elementary or secondary school students in specific counties and cities to all elementary or secondary school students residing in the state.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the State Treasurer
Office of Administration – Budget & Planning
Department of Revenue



Julie Morff
Director
February 11, 2024



Ross Strobe
Assistant Director
February 11, 2024