

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 360

AN ACT

To repeal sections 135.713, 135.714, and 166.700, RSMo, and to enact in lieu thereof three new sections relating to the educational scholarships.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 135.713, 135.714, and 166.700, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 135.713, 135.714, and 166.700, to read as follows:

135.713. 1. Any taxpayer who makes a qualifying contribution to an educational assistance organization after August 28, 2021, may claim a credit against the tax otherwise due under chapter 143, other than taxes withheld under sections 143.191 to 143.265, and chapter 153 in an amount equal to one hundred percent of the amount the taxpayer contributed during the tax year for which the credit is claimed. No taxpayer shall claim a credit under sections 135.712 to 135.719 for any contribution made by the taxpayer, or an agent of the taxpayer, on behalf of the taxpayer's dependent or, in the case of a business taxpayer, on behalf of the business's agent's dependent.

2. The amount of the tax credit claimed shall not exceed fifty percent of the taxpayer's state tax liability for the tax year for which the credit is claimed. The state treasurer shall certify the tax credit amount to the taxpayer. A taxpayer may carry the credit forward to any of such taxpayer's four subsequent tax years. All tax credits authorized under the program shall not be transferred, sold, or assigned, and are not refundable.

3. 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[, which]. Such amount shall be annually adjusted by the state treasurer for inflation based on the Consumer Price Index for All Urban Consumers for the Midwest region, as defined and officially recorded by the United States Department of Labor or its successor, [such annual increase will cease when the amount of tax credits reach seventy-five million dollars] and shall additionally be annually adjusted by any percentage increase above the threshold of forty percent of the projected amount necessary to fully fund transportation aid funding for fiscal year 2021 as provided in subsection 5 of this section. The state treasurer shall establish a procedure by which, from the beginning of the calendar year until August first, the cumulative amount of tax credits shall be allocated on a first-come, first-served basis among all educational assistance organizations. If an educational assistance organization fails to use all, or some percentage to be determined by the state treasurer, of its allocated tax credits during this period, the 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. The state treasurer may establish more than one period and reallocate more than once during each calendar year. The state treasurer shall establish the procedure described in this subsection in such a manner as to ensure that taxpayers can claim all the tax credits possible up to the cumulative amount of tax credits available for the calendar year.

4. A taxpayer who makes a contribution to an education assistance organization shall not designate the student who will receive a scholarship grant.

5. The provisions of sections 135.712 to 135.719 and sections 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. If the amount appropriated for transportation under section 163.161 in any succeeding year falls below such amount, no additional scholarships for newly qualified students shall be awarded.

135.714. 1. Each educational assistance organization shall:

(1) Notify the state treasurer of its intent to provide scholarship accounts to qualified students;

(2) Demonstrate to the state treasurer that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;

(3) Provide a state treasurer-approved receipt to taxpayers for contributions made to the organization;

(4) Ensure that grants are distributed to scholarship accounts of qualified students in the following order:

(a) Qualified students that have an approved "individualized education plan" (IEP) developed under the federal Individuals with Disabilities Education Act (IDEA), 20 U.S.C. Section 1400, et seq., as amended, or qualified students living in a household whose total annual income does not exceed an amount equal to one hundred percent of the income standard used to qualify for free and reduced price lunches;

(b) Qualified students living in a household whose total annual income does not exceed an amount equal to two hundred percent of the income standard used to qualify for free and reduced price lunches; and

(c) All other qualified students;

(5) Ensure that:

(a) One hundred percent of its revenues from interest or investments is spent on scholarship accounts;

(b) At least ninety percent of its revenues from qualifying contributions is spent on scholarship accounts; and

(c) Marketing and administrative expenses do not exceed the following limits of its remaining revenue from contributions:

a. Ten percent for the first two hundred fifty thousand dollars;

b. Eight percent for the next five hundred thousand dollars; and

c. Three percent thereafter;

(6) Distribute scholarship account payments either four times per year or in a single lump sum at the beginning of the year as requested by the parent of a qualified student, not to exceed a total grant amount equal to the state adequacy target as defined in section 163.011, or for a qualified student under paragraph (a) of subdivision (8) of section 166.700 a total grant amount equal to all state and federal moneys allocated to public schools on a per capita basis to students with an individualized education plan, and calculated by the department of elementary and secondary education, in the form of a deposit into the scholarship account of the qualified student;

(7) Provide the state treasurer, upon request, with criminal background checks on all its employees and board

members and exclude from employment or governance any individual who might reasonably pose a risk to the appropriate use of contributed funds, provided that no background check shall be required by the educational assistance organization or the state treasurer for a parent who educates their child at a home school as defined in section 167.031;

(8) Demonstrate its financial accountability by:

(a) Submitting to the state treasurer annual audit financial statements by a certified public accountant within six months of the end of the educational assistance organization's fiscal year; and

(b) Having an auditor certify that the report is free of material misstatements; and

(9) Ensure that participating students take the state achievement tests or nationally norm-referenced tests that measure learning gains in math and English language arts, and provide for value-added assessment, in grades that require testing under the statewide assessment system set forth in section 160.518;

(10) Allow costs of the testing requirements to be covered by the scholarships distributed by the educational assistance organization;

(11) Provide the parents of each student who was tested with a copy of the results of the tests on an annual basis, beginning with the first year of testing;

(12) Provide the test results to the state treasurer on an annual basis, beginning with the first year of testing;

(13) Report student information that would allow the state treasurer to aggregate data by grade level, gender, family income level, and race;

(14) Provide rates of high school graduation, college attendance, and college graduation for participating

students to the state treasurer in a manner consistent with nationally recognized standards;

(15) Provide to the state treasurer the results from an annual parental satisfaction survey, including information about the number of years that the parent's child has participated in the scholarship program. The annual satisfaction survey shall ask parents of scholarship students to express:

(a) Their level of satisfaction with the child's academic achievement, including academic achievement at the schools the child attends through the scholarship program versus academic achievement at the school previously attended;

(b) Their level of satisfaction with school safety at the schools the child attends through the scholarship program versus safety at the schools previously attended;

(16) Demonstrate its financial viability, if it is to receive donations of fifty thousand dollars or more during the school year, by filing with the state treasurer before the start of the school year a surety bond payable to the state in an amount equal to the aggregate amount of contributions expected to be received during the school year or other financial information that demonstrates the financial viability of the educational assistance organization.

2. The annual audit required under this section shall include:

(1) The name and address of the educational assistance organization;

(2) The name and address of each qualified student for whom a parent opened a scholarship account with the organization;

(3) The total number and total dollar amount of contributions received during the previous calendar year; and

(4) The total number and total dollar amount of scholarship accounts opened during the previous calendar year.

3. The state treasurer shall:

(1) Ensure compliance with all student privacy laws for data in the state treasurer's possession;

(2) Collect all test results;

(3) Provide the test results and associated learning gains to the public via a state website after the third year of test and test-related data collection. The findings shall be aggregated by the students' grade level, gender, family income level, number of years of participation in the scholarship program, and race; and

(4) Provide graduation rates to the public via a state website after the third year of test and test-related data collection.

4. An educational assistance organization may contract with private financial management firms to manage scholarship accounts with the supervision of the state treasurer.

166.700. As used in sections 166.700 to 166.720, the following terms mean:

(1) "Curriculum", a complete course of study for a particular content area or grade level, including any supplemental materials;

(2) "District", the same meaning as used in section 160.011;

(3) "Educational assistance organization", the same meaning as used in section 135.712;

(4) "Parent", the same meaning as used in section 135.712;

(5) "Private school", a school that is not a part of the public school system of the state of Missouri and that charges tuition for the rendering of elementary or secondary educational services;

(6) "Program", the same meaning as used in section 135.712;

(7) "Qualified school", a home school as defined in section 167.031 or any of the following entities that is incorporated in Missouri and that does not discriminate on the basis of race, color, or national origin:

(a) A charter school as defined in section 160.400;

(b) A private school;

(c) A public school as defined in section 160.011; or

(d) A public or private virtual school;

(8) "Qualified student", 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 inhabitants] county in which any portion of a city that has at least thirty thousand inhabitants is located in such county, who:

(a) Has an approved "individualized education plan" (IEP) developed under the federal Individuals with Disabilities Education Act (IDEA), 20 U.S.C. Section 1400, et seq., as amended; or

(b) Is a member of a household [whose total annual income does not exceed an amount equal to two hundred percent of the income standard used to qualify for free and reduced price lunches, and] that meets at least one of the following qualifications:

a. Attended a public school as a full-time student for at least one semester during the previous twelve months; or

b. Is a child who is eligible to begin kindergarten or first grade under sections 160.051 to 160.055.