

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4373-04  
Bill No.: CCS for HCS for SB 873  
Subject: Education, Higher; Tax Incentives  
Type: Original  
Date: May 12, 2016

**Bill Summary:** This proposal creates the Missouri Science, Technology, Engineering, and Mathematics Initiative

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Up to \$65,013)	(Up to \$4,037,697)	(Up to \$8,409,485)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Up to \$65,013)</b>	<b>(Up to \$4,037,697)</b>	<b>(Up to \$8,409,485)</b>

**Note:** The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
College & University	\$0	(Could exceed \$2,600,000)	\$0
Science, Technology, Engineering, and Mathematics	\$0 to \$50,000	\$0 to \$50,000	\$0 to \$50,000
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0 to \$50,000</b>	<b>(Could exceed \$2,550,000)</b>	<b>\$0 to \$50,000</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>			

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>(Unknown over \$100,000)</b>	<b>(Unknown over \$100,000)</b>	<b>(Unknown over \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 160.545**

Officials at the **Department of Higher Education (MDHE)** assume the census data for Missouri shows 1,099,136 students from ages 5 to 18 live within the state. Students enrolled in public schools in Missouri for this same age range of 5 to 18 is 887,368. This leaves 211,766 students that are either attending private schools or are home schooled. Assuming the students are spread evenly across all age groups, that would mean 16,290 students are seniors and could potentially be eligible for the A+ scholarship.

Based on the MDHE experience with administration of the A+ scholarship program, it is assumed that, once fully implemented, approximately half of the graduating class would be eligible to participate in the A+ program. Of those that are eligible, it is assumed approximately one-third would actually receive a payment under the program. Cost estimates are based on the average award during the 2014-2015 academic year of \$2,533 per student. The average award is then inflated by five percent annually to reflect projected tuition and fee increases during the intervening years.

Because this legislation would not be enacted until after the end of the current academic year, it is assumed no students in either the undesignated public or the private high schools would be able to gain eligibility for the program during the first year of the estimate (FY 2017). In FY 2018, it is assumed only one-quarter of the graduating class would be eligible and that one third of those would receive a payment. The inflated average award would be \$2,932 for FY 2018. The cost to add non-public graduates to the A+ program would be \$3,980,190 ( $16,290 * 0.25 = 4,072.5 * 0.33 = 1,357.5 * \$2,932$ ).

We assume the program would be fully functional by FY 2019. The inflated average A+ award would be \$3,079. This would result in a total cost of \$8,359,485 for FY 2019 ( $16,290 * 0.5 = 8,145 * 0.33 = 2,715 * \$3,079$ ).

#### **Sections 167.225 - Braille instruction**

**Oversight** notes this part of the proposal would require Braille be taught to any student who is assessed as needing Braille.

In response to similar legislation filed this year, HB 2569, officials at the **DESE** assumed there does not appear to be a state fiscal impact. Local school districts will likely incur significant costs. DESE estimates the salary for a Braille instructor at \$60,000 plus \$34,200 [57% (school district benefit percentage)] for a total of \$94,200.

ASSUMPTION (continued)

**Oversight** notes there are 518 school districts in the state that may be impacted by this proposal. DESE was unable to provide Oversight with the number of Braille instructors currently working in the school districts. However, they were able to say that in the 2014 school year 43 school districts provided a course for visual instruction. Oversight will show the impact of this proposal as Unknown, \$100,000 per district that needs a Braille instructor.

In response to similar legislation filed this year, HB 2569, officials at the **Concordia R-II School District** assumed the cost of a certified brailist is upwards of \$35,000 (not including expenses). The cost of a low volume braille printer is between \$1,500 -\$5,000 and the cost of Braille paper for 500 sheets is roughly \$25. In a year you would go through anywhere between 5,000-10,000 sheets depending on what textbooks you could find from the Library of the Blind and which ones you would have to Braille yourself. A district would have to find a certified teacher of the visually impaired or pay to get a teacher certified. The cost for a teacher with benefits could be as much as \$55,000-\$65,000. The cost to get a new teacher (\$42,000) trained would be approximately \$8,000-\$10,000 with tuition, books and a mentor. The other alternative is to send them to Children's Center for the Visually Impaired and pay tuition and transportation can run as much as \$55,000 to \$60,000 a year depending on where and how you are transporting the student.

In response to similar legislation filed this year, HB 2569, officials at the **Kearney R-I School District** assumed a cost of \$5,000 (\$1,000 for each child with visual impairments).

In response to similar legislation filed this year, HB 2569, officials at the **Lewis County C-1 School District** assumed it would depend on the number of students that would need instruction. The cost is unknown but would be the cost of a certified teacher.

In response to similar legislation filed this year, HB 2569, officials at the **Macon County R-IV School District** assumed no impact at this time. However should a student need the service the cost could be extensive.

In response to similar legislation filed this year, HB 2569, officials at the **New Haven School District** assumed a cost of \$50,000 annually for a certified teacher.

In response to similar legislation filed this year, HB 2569, officials at the **St. Elizabeth School District** assumed the cost would be for a certified teacher at \$32,000.

In response to similar legislation filed this year, HB 2569, officials at the **West Plains School District** assumed a cost of \$45,000 to \$65,000 annually per teacher.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 2569, officials at the **Special School District of St. Louis** stated they were unable to determine a fiscal impact at this time.

Sections 173.670, 620.3030

In response to a previous version, officials at the **Department of Higher Education (DHE)** assumed this legislation directly affects Total State Revenue by allowing up to \$50,000 annually, of tax revenue be reallocated from General Revenue to the Science, Technology, Engineering, and Mathematics Fund.

DHE would be in charge of reviewing applications to have individuals' tax liability removed from General Revenue and placed in the Science, Technology, Engineering, and Mathematics Fund (§173.670.6 and §620.3030.3). This would require the promulgation of rules to determine how an applicant would be selected, which could be handled with existing staff, and the addition of 2/3 FTE to handle the continuous influx of applications for the two new programs.

Since the bill does not create a one-time study or program, the MDHE would need to add 2/3 FTE. Aside from the impact on the department, the bill would also provide additional resources to fund STEM subjects, thereby increasing the exposure to and interest for students.

**Oversight** assumes the Department of Higher Education could absorb the work of this proposal with existing resources.

In response to a previous version, officials at the **Department of Revenue (DOR)** assumed the legislation authorizes an employer to retain an employee's withholding tax for five years if the employee graduates with a science, technology, engineering, or mathematics degree from a Missouri Innovation Campus after April 30, 2017. The qualified individual receives full credit for the amount of tax withheld as provided in §143.211. DOR assumes that a form will be needed that allows the employer to report retained withholdings and DOR will need to track the amount of withholdings retained.

Withholding tax requires one (1) Revenue Processing Technician I to track the amount of withholdings retained.

**Oversight** assumes the duties outlined in this proposal can be handled by current staff. Should DOR see an increase in responsibilities, they can seek that FTE through the appropriation process.

In response to a previous version, officials at the **Office of Administration's Division of Budget and Planning (BAP)** assumed 173.670 of this proposal provides a process whereby a qualifying

ASSUMPTION (continued)

taxpayer that hires a qualifying intern may apply to have up to \$5,000 of their tax liability transferred from the General Revenue Fund to the Science, Technology, Engineering and Mathematics (STEM) Fund, which may subsequently be appropriated to public higher education institutions. The annual limit on funds that may be moved from General Revenue under this proposal is \$50,000. This proposal will have no direct impact on Total State Revenues; however, General Revenue may be reduced by up to \$50,000 annually.

620.3030 of this proposal provides that employers who provide educational benefits or training to a qualified individual for an employment position in health care, engineering, or information technology fields for no more than one year may apply to have up to \$5,000 of their tax liability transferred from the General Revenue Fund to the Science, Technology, Engineering and Mathematics (STEM) Fund, which may subsequently be appropriated to public higher education institutions. The annual limit on funds that may be moved from General Revenue under this proposal is \$50,000. This proposal will have no direct impact on Total State Revenue; however, General Revenue may be reduced by up to \$50,000 annually.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the creation of the "Missouri Science, Technology, Engineering and Mathematics Initiative" tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

The department will require minimal contract computer programming to add the new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

**Oversight** assumes §173.670 & §620.3030 of this proposal allows for the transfer out of General Revenue and into the Science, Technology, Engineering and Mathematics Fund of a taxpayers' tax liability if they hire an intern. Oversight will reflect the loss to General Revenue of \$0 (no money is transferred) to \$50,000 the annual limit allowed under these programs. Oversight assumes all money received in the STEM fund will be spent according to this proposal.

ASSUMPTION (continued)

**Sections 178.780, 178.785, 178.786, 178.787, 178.788, 178.789**

Officials at the **Department of Higher Education** assume 1 FTE at the Research Associate I level would be required to oversee the new program and ensure compliance with the statute at all 26 public postsecondary institutions.

We estimate the need for about 15 meetings over a two-year period with the faculty discipline groups created in Section 178.786.1. The reimbursement rate set by OA is \$0.37 per mile, with the cost to travel to Jefferson City broken out per institution in the chart below:

<b>Institution</b>	<b>Distance (mi)</b>	<b>Per Mile Rate</b>	<b>Total Cost</b>
Crowder College	214	\$0.37	\$79.18
East Central College	79	\$0.37	\$29.23
Jefferson College	115	\$0.37	\$42.55
Metropolitan Community College	155	\$0.37	\$57.35
Mineral Area College	136	\$0.37	\$50.32
Moberly Area Community College	67	\$0.37	\$24.79
North Central Missouri College	171	\$0.37	\$63.27
Ozarks Technical Community College	135	\$0.37	\$49.95
St. Charles Community College	107	\$0.37	\$39.59
St. Louis Community College	133	\$0.37	\$49.21
State Fair Community College	64	\$0.37	\$23.68
Three Rivers Community College	202	\$0.37	\$74.74
State Technical College of Missouri	24	\$0.37	\$8.88
Harris-Stowe State University	131	\$0.37	\$48.47
Lincoln University	2	\$0.37	\$0.74
Missouri Southern State University	203	\$0.37	\$75.11
Missouri State University	136	\$0.37	\$50.32
Missouri University of Science & Technology	63	\$0.37	\$23.31
Missouri Western State University	210	\$0.37	\$77.70
Northwest Missouri State University	252	\$0.37	\$93.24
Southeast Missouri State University	233	\$0.37	\$86.21
Truman State University	121	\$0.37	\$44.77
University of Central Missouri	91	\$0.37	\$33.67
University of Missouri – Columbia	30	\$0.37	\$11.10
University of Missouri – Kansas City	157	\$0.37	\$58.09
University of Missouri – St. Louis	124	\$0.37	\$45.88
<b>Total Cost</b>			<b>\$1,241.35</b>

The meal reimbursement rate set by OA for Jefferson City is \$10 for lunch. If all 26 institutions are represented, the cost for lunch would be \$260 per meeting.

ASSUMPTION (continued)

The total cost for all 15 meetings would be \$22,520.25 [(\$1,241.35 \* 15) + (\$260 \* 15)].

In summary, FY 2017 would have salary of \$27,840, fringe of \$16,016 and travel and meal reimbursements totaling \$22,520 for a total FY 2017 cost of \$66,376. FY 2018 salary cost would be \$33,742 plus fringe of \$19,310 for a total FY 2018 cost of \$53,052. FY 2019 salary cost would be \$34,080 plus fringe of \$19,403 for a total FY 2019 cost of \$53,483.

In response to a similar proposal from this year (HB 2651), officials at the **University of Missouri (UM)** assumed the renumbering on each of the UM campuses took close to a year to develop the plan and another to implement, develop cross walks, feed all the systems, etc. It involved faculty, staff, administrators and technology staff. There would need to be a campus course number coordinator. That could take 10% of a person's time. UM assumes a cost of \$2.6 million for the entire UM system.

In response to a similar proposal from this year (HB 2651), officials at the **University of Central Missouri** predicted the main fiscal impact would come from personnel time to manage the re-numbering of the institutional course records system, technology personnel time to facilitate that modification to our current system, and ongoing cost to maintain accurate records and write reports related to the process as well as challenges to the process.

Registrar's Office personnel time: approximately \$30,000 (one-time)  
Office of Technology personnel time: approximately \$25,000 (one-time)  
Office Professional position to manage the records and challenges: approximately \$35,000 in salary and benefits (annually)

In response to a similar proposal from this year (HB 2651), officials at the **Mineral Area Community College** assumed identifiable costs are hard to determine without knowing the course of action from Department of Higher Education. Extensive travel should be required by each of the community colleges to formalize the standard core curriculum and a common course numbering matrix. The College anticipates 7 faculty involved in the process. Costs for travel, lodging, and stipends is estimated at \$34,328.

In response to a similar proposal from this year (HB 2651), officials at the **Northwest Missouri State University** assumed the development of a statewide common course numbering system will be a costly endeavor for higher education institutions to adopt as it will require significant computer programming and staff time to retrofit our information system to accommodate the new model. The exact impact is unknown at this time.

In response to a similar proposal from this year (HB 2651), officials at the **State Technical College of Missouri** assumed this would have a negative impact, but are unable to quantify.



ASSUMPTION (continued)

In response to a similar proposal from this year (HB 2651), officials at the **State Fair Community College, Missouri State University** and the **Missouri Western State University** each assumed there is no fiscal impact from this proposal.

**Oversight** notes the DHE currently has a Core Transfer Library (CTL) consisting of 26 courses that transfer as equivalents among all public two- and four-year institutions. Most-but not all-of the courses in the CTL would fulfill general education requirements. The department also is currently working on a course equivalency matrix, which this proposal effectively duplicates. The CTL is authorized in statute, §173.005.2(8).

**Oversight** notes that DHE stated the Advisory Board would need to meet 15 times to prepare the course numbering system. Oversight will show them meeting 10 times in FY 2017 and 5 times in FY 2018 to finalize the numbering system. Oversight assumes the Advisory Board would begin by reviewing the current 26 courses to determine if they could be used for this proposal's 48 credit hours. If they can, then fewer meetings would be needed.

**Oversight** will show the meeting costs as the estimate provided by DHE. Oversight notes that DHE would be required to pay the meeting costs and therefore will show the impact to General Revenue.

**Oversight** notes that current DHE staff are required to monitor the existing 26 courses; therefore staff would be able to monitor any additional courses added because of this proposal. Should the number of new courses justify additional FTE, then DHE could request those FTE through the appropriation process.

**Oversight** will show the one-time computer upgrades to the Colleges and Universities occurring in FY 2018, once plans are finalized.

**Section 173.2050**

Officials at the **Department of Revenue** assume no fiscal impact from this proposal.

**Bill as a whole**

Officials at the **Office of Administration's Division of Budget and Planning**, the **Department of Economic Development** and the **Joint Committee on Administrative Rules** each assume no fiscal impact from this proposal to their respective organizations.

In response to similar legislation filed this year (HB 1640), officials at the **Office of the State Treasurer** assumed no fiscal impact from this proposal to their organization.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring

ASSUMPTION (continued)

agencies to submit rules and regulations to implement the act. The 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the 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 the office can sustain with the core budget. Therefore, the 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 proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

FISCAL IMPACT - State

<u>Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Cost - A+ Expansion (Section 160.545)</u>	\$0	(\$3,980,190)	(\$8,359,485)
<u>Cost - DHE -travel expenses of advisory board (Chapter 178)</u>	<u>(Up to \$15,013)</u>	<u>(Up to \$7,507)</u>	<u>\$0</u>
<u>Transfer Out - to STEM fund - taxpayer tax liability transferred for hiring an intern or providing educational benefits §173.670 &amp; §620.3030</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Up to \$65,013)</u></b>	<b><u>(Up to \$4,037,697)</u></b>	<b><u>(Up to \$8,409,485)</u></b>

FISCAL IMPACT - State  
Government (continued)

	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>COLLEGE &amp; UNIVERSITY FUNDS</b>			
<u>Cost - Colleges &amp; Universities - computer upgrades to new numbering system</u>	<u>\$0</u>	(Could exceed <u>\$2,600,000</u> )	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON COLLEGE &amp; UNIVERSITY FUNDS</b>	<b><u>\$0</u></b>	<b>(Could exceed <u>\$2,600,000</u>)</b>	<b><u>\$0</u></b>
 <b>SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS FUND</b>			
<u>Transfer In - from General Revenue - taxpayers' tax liability for hiring an intern (Sections 173.670 &amp; 620.3030)</u>	<u>\$0 to \$50,000</u>	<u>\$0 to \$50,000</u>	<u>\$0 to \$50,000</u>
<b>ESTIMATED NET EFFECT ON SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS FUND</b>	<b><u>\$0 to \$50,000</u></b>	<b><u>\$0 to \$50,000</u></b>	<b><u>\$0 to \$50,000</u></b>

**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

<u>FISCAL IMPACT - Local</u>	FY 2017		
<u>Government</u>	(10 Mo.)	FY 2018	FY 2019

**SCHOOL DISTRICT FUNDS**

<u>Costs - School Districts - hiring a Braille instructor §167.225</u>	(Unknown, \$100,000 per district that needs a Braille instructor)	(Unknown, \$100,000 per district that needs a Braille instructor)	(Unknown, \$100,000 per district that needs a Braille instructor)
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<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b>(Unknown over <u>\$100,000</u>)</b>	<b>(Unknown over <u>\$100,000</u>)</b>	<b>(Unknown over <u>\$100,000</u>)</b>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The bill authorizes any taxpayer who hires a student majoring in science, technology, engineering, or mathematics at a Missouri public or private two-year or four-year college to fill an internship position in one of those fields for at least 15 hours a week for at least 12 weeks to apply to have up to \$5,000 of the taxpayer's state tax liability removed from the General Revenue Fund and placed in the Science, Technology, Engineering and Mathematics Fund. The Department of Higher Education must establish a procedure for approving applications, and the total amount of tax transferred annually cannot exceed \$50,000 for all participating taxpayers. Any donations to the fund from third parties will not count toward the \$50,000 limit.

The bill establishes the Economic-Education Partnership Act. An employer with facilities in Missouri that provides educational benefits to a qualified individual or trains a qualified individual for an employment position in one of the specified fields, can apply to have up to \$5,000 of the taxpayer's state tax liability transferred from the General Revenue Fund and placed in the Science, Technology, Engineering and Mathematics Fund. Training must be in the health care, engineering, or information technology fields for no more than one year. "Education benefits" are defined as the funds provided by an employer to a qualified individual or to an accredited educational institution for a period of up to five years to pay any portion of the tuition or fees for an employee who is a resident of Missouri to pursue an advanced certificate or an associates, bachelors, masters, or doctorate degree in health care, engineering, or information technology related programs. The department must establish a procedure for approving applications, and the total amount of tax transferred annually cannot exceed \$50,000 for all participating taxpayers. The department may audit employers to ensure compliance with these provisions.

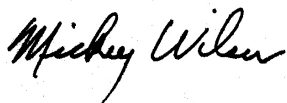
FISCAL DESCRIPTION (continued)

Currently, state law permits students to receive instruction in Braille as part of their individualized education plans (IEPs). This bill requires a student to receive instruction in Braille reading and writing as part of his or her IEP unless, as a result of an assessment, instruction in Braille or the use of Braille is determined not appropriate for the child. This bill defines "assessment" as the National Reading Media Assessment or another research-based assessment or series of research-based assessments under the Individuals with Disabilities Education Act that determines a child's learning media skills. (§167.225)

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 the State Treasurer  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Higher Education  
Department of Economic Development  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration's Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
May 12, 2016

Ross Strobe  
Assistant Director  
May 12, 2016