

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5478-07
Bill No.: Perfected SCS for SB Nos. 857 & 712
Subject: Education, Elementary and Secondary; Education, Higher
Type: Original
Date: April 19, 2016

Bill Summary: This proposal establishes several provisions relating to financial assistance for dual enrollment courses.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|--------------------|-------------------|-------------------|------------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
| General Revenue | (\$271,255) | (\$95,169) | (\$96,487) | (\$7,806,724) |
| Total Estimated Net Effect on General Revenue | (\$271,255) | (\$95,169) | (\$96,487) | (\$7,806,724) |

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.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 16 pages

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|---|------------------|------------------|------------------|------------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
| Access MO Financial Assistance* | \$0 | \$0 | \$0 | \$0 |
| College & University | (Unknown) | (Unknown) | (Unknown) | (Unknown) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (Unknown) | (Unknown) | (Unknown) | (Unknown) |

* Transfers in from General Revenue and reimbursement of credits net to zero.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|----------------|----------------|----------------|------------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
| | | | | |
| | | | | |
| 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 2017 | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
| 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 \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | | |
|--|----------------|----------------|----------------|------------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
| Local Government* | \$0 | \$0 | \$0 | \$0 |

* Revenues received and distributed for scholarships net to zero.

FISCAL ANALYSIS

ASSUMPTION

§135.2100 Missouri Dual Enrollment Scholarship Act

Officials at the **Office of Administration's Division of Budget and Planning** assume this proposal would allow taxpayers a credit against income taxes, corporate franchise taxes, or financial institution taxes in an amount equal to fifty percent of an amount donated to local public school districts, public charter schools, or local educational agencies for a dual credit scholarship program. All funds donated will be used to pay a portion of eligible students' fees for dual enrollment courses.

Because the districts, schools, or agencies are required to remit payments for these credits, this proposal has no direct impact on General and Total State Revenues. While the direct payments from the districts, schools, or agencies and costs of the tax credit offset costs, it is likely that indirect costs may occur. If a taxpayer chooses to itemize charitable deductions, the full cost of the contribution might be deducted from federal taxable income, which in turn reduces state taxable income. Therefore, the individual taxpayer may receive an additional benefit up to 6 percent of the value of the contribution, depending on the state income tax rate in effect. (The taxpayer also receives a benefit from reduced federal taxes.)

Officials at the **Department of Revenue (DOR)** assume that beginning tax year January 1, 2017, the legislation allows taxpayers a credit against the taxes due under Chapters 147, 148, or 143. The legislation limits the tax credit to 50 percent of an eligible donation and authorizes carry-forward provisions for four subsequent tax years. The legislation establishes an expiration date six years after the effective date of this act (August 28, 2022).

DOR will require form and programming changes to the Integrated Tax System estimated to cost \$65,146. The Personal Tax Division would require one Revenue Processing Technician I (\$26,652) for every 6,000 credits claimed. The Corporate Tax Division would require one Revenue Processing Technician I (\$26,652) for every 6,000 credits redeemed.

Oversight notes this proposal would create a new tax credit, but would not be expected to have a significant impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional cost are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

ASSUMPTION (continued)

Officials at the **Department of Economic Development (DED)** assume this proposal creates a new tax credit. The proposal does not place a cap on how much can be claimed in tax credits per year and thus the impact is unknown and unlimited per statute. Since this creates a new program, DED will need one FTE Economic Development Incentive Specialist III (\$52,092) to administer this program.

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the Economic Development Incentive Specialist III to correspond with the range for starting salary posted by DED for a similar position and has excluded travel costs, assuming the program could be administered with minimal travel.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. 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.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. It is estimated to be \$4,200 for 56 hours at \$75.

Oversight notes this proposal creates a prepay tax credit where by the contribution is received by the state before a tax credit of an equal amount is issued.

§173.1109 Access Missouri Dual Enrollment Program

Oversight notes this proposal establishes a program that allows qualifying high school students to use their Access Missouri Financial Assistance money to pay for dual credit courses.

The Department of Higher Education, in response to SB 712 of the current session, stated the Access Missouri Financial Assistance Program is designed to provide need-based financial aid to eligible Missouri residents. Students with an expected family contribution below the established cutoff are eligible for the award. Award amounts are graduated, using statutory formula, based

ASSUMPTION (continued)

on the student's expected family contribution.

Starting in FY 2015 and beyond the award amounts are:

Public two-year sector = \$300 minimum and \$1,300 maximum

Public four-year sector and State Technical College = \$1,500 minimum and \$2,850 maximum

Private institutions = \$1,500 minimum and \$2,850 maximum.

Table 1 - Number of Students Receiving Grant

| | FY 2013 Actual | FY 2014 Actual | FY 2015 Actual | FY 2016 Projected | FY 2017 Target | FY 2018 Target |
|---------------------|-------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| Number of Students | 55,858 | 52,826 | 51,367 | 49,500 | 49,000 | 49,000 |
| Appropriated Amount | \$65,378,693 | \$60,734,076 | \$60,037,904 | \$69,500,000 | N/A | N/A |

Source: Department of Higher Education

N/A not available

Officials at the **Department of Higher Education (DHE)** assume there is a substantial cost associated with the reimbursement of dual credit courses.

In Academic Year 2013/2014, DHE estimated about 196,200 dual credit hours were earned by 22,300 students across the state. These estimates are derived from course completion data collected by DESE, but it should be emphasized that dual credit courses are not directly identified in the data, and some assumptions are employed to identify relevant courses and to exclude others, e.g. career/technical education and Advanced Placement. While the reimbursement may result in more students taking dual credit courses and/or in students taking more dual credit courses, DHE does not have the data to estimate that change so it is not reflected in this estimate.

Based on data collected by the DHE, the average cost per credit hour for dual credit is \$70. Although the cost varies from institution to institution and also by sector (public community college, public four-year, independent), this average was selected as the best approximation for cost across all types of students and institutions. Assuming the percentage of dual credit takers is eligible for Free and Reduced-Price Lunch, 101,435 credit hours would be reimbursed (196,200 x 51.7%). Based on these assumptions, the total cost to reimburse dual credit courses would be \$7,100,450 (101,435 x \$70) each year.

ASSUMPTION (continued)

The Department of Elementary and Secondary Education estimates that 2,425 students were enrolled in a dual enrollment course during the 2014/2015 academic year. Assuming the same percentage of dual enrollment students is eligible for Free and Reduced-Priced Lunch, the number of students who would be eligible for an Access Missouri award in high school would be 1,254. Assuming each course those students took was three credit hours, those students completed 3,762 credit hours.

DHE cannot determine where those courses were taken, or how much the institutions charge for a dual enrollment class. Assuming public postsecondary institutions charge the same for dual enrollment as they do for in-district or in-state students, the average cost per credit hour is \$161 (the cost per credit hour charged at independent institutions is not collected). Assuming the price per credit hour remains the same, the estimated cost to reimburse dual enrollment credits would be \$605,682 (3,762 x \$161).

The total cost to the two scholarship programs would be \$7,706,132. However, there is no mechanism to determine which program would be paid first, and we do not know how much money will be donated to the dual enrollment scholarship program. As a result, we have assumed it will all come out of Access Missouri.

DHE notes that due to the requirement that students must create a plan of study in their seventh grade year to be eligible for reimbursement, full implementation of the program wouldn't happen until FY 2022, when those students are seniors. While there may be some students who could be eligible sooner, those numbers cannot be determined and are not reflected in this fiscal note.

Officials at the **Office of Administration's Information Technology Services Division (ITSD)** assume that a potential recipient of this program will be expected to create a Student Portal account to fill out an application for every semester. Once completed, the student data will display in the FAMOUS-High School application (H). Edits to the current HS menu and screens will be needed as well as creation of two new screens in order to display and maintain the student application details and eligibility criteria verification. Student eligibility criteria is assumed to be as follows:

1. United States citizenship
2. Resident of MO
3. Written program commitment beginning in 7th grade
4. Assigned mentor by the program director
5. Must have performed 50 hours of unpaid tutoring or mentoring/job shadowing
6. Develop a personal plan of study
7. Meet economic criteria

ASSUMPTION (continued)

Student eligibility is assumed to be determined and verified at the DESE school district level. It is assumed that there is a need for at least one new HS report. The submitted program application will also display in the approved PSI application. It is assumed that there is a need to create at least two new PSI reports. New student detail tabs and screens will be needed to allow the institution to certify and maintain student disbursements and other necessary details. It is assumed that the FAMOUS-DHE application will need to be updated to administrate this financial aid program. There is expected to be at least seven screens that will need to be updated. It is assumed that at least two new reports and three new notices will be created. It is assumed that, consistent with current DHE processes, student details, application data, program eligibility, and financial disbursement details will also display and be monitored through the FAMOUS-DHE application.

ITSD estimates a cost of \$145,800 in FY 2017, \$29,889 in FY 2018 and \$30,636 in FY 2019.

Oversight notes this provision only allows students the reimbursement if students meet certain criteria including being U.S. citizens, having completed a personal plan of study, having performed a certain number of tutoring hours in addition to having to meet certain economic needs. Those economic needs are:

- Enrolled for free or reduced lunch. Per the Department of Elementary and Secondary Education's website 65.35 percent of students are on free or reduced lunch.
- Be in foster care, be a ward of the state or be homeless. Oversight was unable to determine how many students are in this situation.
- Receive low-income public assistance, such as SNAP, WIC or public housing. Oversight notes that families register for these programs, so it is difficult to determine an exact number of children that might participate.

Oversight assumes that children in these identified economic situations may not currently be taking dual credit courses as they would not be able to currently make the tuition payment. Oversight will show the impact in the fiscal note as Could exceed the estimate provided by DHE.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this does not impact the department. However, it would likely have an impact on school districts and charter schools. DESE defers to the districts for impact.

ASSUMPTION (continued)

§173.2400 Missouri Dual Enrollment Scholarship Boards

Oversight notes this provision creates a Missouri Dual Enrollment Scholarship Board (Board) at each school district. The Board can receive money from gifts, bequests, or public or private donations. Additionally, money received through the tax credit established in §135.2100 is to be used by the Board. Funds received by the Board, are to be used to pay a scholarship to qualifying students. The scholarship would pay the qualified student's portion of fees for any dual enrollment or dual credit course.

Oversight notes that faculty of the public higher institutions would be required to serve on these Boards. Oversight notes there may be expenses to College and University Funds from staff serving on these boards (such as mileage, meals etc). Oversight will show the impact as Unknown.

Oversight will show in the fiscal note that all money received by the Boards will be distributed in the year in which it is received.

In response to an earlier version of this proposal, officials at the **University of Central Missouri** assumed there could be increased costs to staff and faculty that are asked to serve on these boards.

Bill as a Whole

Officials at the **Metropolitan Community College** assume the fiscal impact is unknown. The primary concern will be if the "scholarship" dollars used for the program take dollars away from other programs that provide grants/financial support to students. Cuts in those programs will have a negative impact on students and enrollment.

Officials at the **University of Central Missouri** assume there should be no measurable impact on the University. However, if this would encourage more high school students to participate in dual enrollment, and thus increase enrollment, it may have a positive impact that cannot be quantified at this time.

Officials at the **Missouri State University, Missouri Western State University, State Technical College of Missouri** and the **University of Missouri** each assume there is no fiscal impact from this proposal.

Officials at the **New Haven School District** assume they would need a .5 FTE to administer this program at a cost of \$30,000. Also assume \$200 per student per course for the scholarship.

ASSUMPTION (continued)

Officials at the **West Plains School District** assume a possible loss of state funding estimated to be \$30,000 to \$60,000 to fund this program.

Officials at the **Carondelet Leadership Academy** and the **Wright City R-II School District** each assume there is no fiscal impact from this proposal to their respective district.

| <u>FISCAL IMPACT -</u> <u>State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
|--|---------------------|-----------------------------|-----------------------------|-----------------------------------|
| GENERAL REVENUE | | | | |
| <u>Additional Revenue</u> | | | | |
| - tax credit being prepaid §135.2100 | \$0 | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 |
| <u>Transfer Out - to the MO Access Financial Assistance Fund §173.1109</u> | \$0 | \$0 | \$0 | (\$7,706,132) |
| <u>Cost - tax credit being issued §135.2100</u> | \$0 | (Could exceed \$100,000) | (Could exceed \$100,000) | (Could exceed \$100,000) |
| <u>Cost - DOR - one time computer upgrades §135.2100</u> | (\$65,146) | \$0 | \$0 | \$0 |
| <u>Cost - ITSD computer programming upgrades §173.1109</u> | (\$145,800) | (\$29,889) | (\$30,636) | (\$32,992) |

| <u>FISCAL IMPACT -</u> <u>State Government</u> (continued) | FY 2017 (10 Mo.) | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
|--|---------------------|-------------------|-------------------|-----------------------------------|
| GENERAL REVENUE (continued) | | | | |
| <u>Cost - DED</u> | | | | |
| Personal Service | (\$34,950) | (\$42,359) | (\$42,783) | (\$44,079) |
| Fringe Benefits | (\$17,958) | (\$21,664) | (\$21,780) | (\$22,134) |
| Equipment and Expenses | <u>(\$7,401)</u> | <u>(\$1,257)</u> | <u>(\$1,288)</u> | <u>(\$1,387)</u> |
| <u>Total Cost - DED</u> | (\$60,309) | (\$65,280) | (\$65,851) | <u>(\$67,600)</u> |
| FTE Change §135.2100 | 1 FTE | 1 FTE | 1 FTE | 1 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | | | | |
| | <u>(\$271,255)</u> | <u>(\$95,169)</u> | <u>(\$96,487)</u> | <u>(\$7,806,724)</u> |
| Estimated Net FTE Change on General Revenue | 1 FTE | 1 FTE | 1 FTE | 1 FTE |

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 -</u> <u>State Government</u> (continued) | FY 2017 (10 Mo.) | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
|--|-------------------------|-------------------------|-------------------------|-----------------------------------|
| ACCESS MO FINANCIAL ASSISTANCE FUND | | | | |
| <u>Transfer In - from General Revenue §173.1109</u> | \$0 | \$0 | \$0 | \$7,706,132 |
| <u>Cost - Distribution to students of dual credit fees</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$7,706,132)</u> |
| ESTIMATED NET EFFECT ON ACCESS MO FINANCIAL ASSISTANCE FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| COLLEGE AND UNIVERSITY FUNDS | | | | |
| <u>Cost - Faculty serving on School District's MO Dual Enrollment Scholarship Boards</u> | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON COLLEGE AND UNIVERSITY FUNDS | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 | Fully Implemented (FY 2022) |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| SCHOOL DISTRICT'S MO DUAL ENROLLMENT SCHOLARSHIP FUND | | | | |
| <u>Revenue</u> - Taxpayers participating in tax credit program | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 |
| <u>Revenue</u> - Gifts, bequests, donations | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 | Could exceed \$100,000 |
| <u>Cost</u> - Distribution of the MO Dual Enrollment Scholarship to Students. | (Could exceed <u>\$100,000</u>) | (Could exceed <u>\$100,000</u>) | (Could exceed <u>\$100,000</u>) | (Could exceed <u>\$100,000</u>) |
| ESTIMATED NET EFFECT ON SCHOOL DISTRICT'S MO DUAL ENROLLMENT SCHOLARSHIP FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small businesses that receive the tax credit may be positively impacted.

FISCAL DESCRIPTION

This act creates the Access Missouri Dual Enrollment Program, which allows students to receive funds during their high school career to pay for dual enrollment credits and dual credit courses from an approved private or public institution of higher education that are directly applicable to a postsecondary associate or bachelor's degree. Payment shall be from the Access Missouri Financial Assistance Fund and shall occur only after successful completion of approved credit hours. To be eligible, students shall enter into a written program commitment agreement at the beginning of the applicant's seventh grade year that includes a personal plan of study, which shall be developed by the student in consultation with the student's parent or guardian, the district's or LEA's Access Missouri Director, and school guidance personnel. Such personal plan of study shall meet certain requirements as described in the act. Students enrolled in a school district or LEA that does not offer courses above 8th grade shall sign the program commitment agreement and develop the personal plan of study in his or her ninth grade year. A student who moves to the district after his or her seventh grade year shall sign the program commitment agreement and develop the personal plan of study by the end of the school year in which he or she enrolls.

An eligible student must be assigned a mentor by the Access Missouri Director in consultation with the student, parent or guardian, and school guidance personnel. The mentor shall advise and consult with the student on effective and successful work habits and career paths.

An eligible student must perform fifty hours of unpaid tutoring or mentoring, of which up to twenty-five percent may include job shadowing.

An eligible student must meet at least one indicator of economic need, as described in the act.

This act requires that each school district or local educational agency (LEA) designate a salaried employee to serve as the director Access Missouri dual enrollment program. Such employee may also serve as the program coordinator for the A+ Schools Program or as a guidance counselor or equivalent. This provision shall not apply to school districts and LEAs that do not offer courses above 8th grade. (§173.1109)

This act also creates the "Missouri Dual Enrollment Scholarships Act" to provide dual enrollment and dual credit scholarships to Missouri students.

For tax years beginning on or after January 1, 2017, any taxpayer shall be able to claim a tax credit on an eligible donation made to a public school district or charter school for the sole purpose of funding scholarships for dual enrollment and dual credit courses. The tax credit shall be for fifty percent of the amount of the donation. The tax credit may be carried forward for four years and may be transferred, sold, or assigned.

FISCAL DESCRIPTION (continued)

A school district or charter school may make an application for the tax credit on behalf of taxpayers, and the Department of Economic Development shall verify that the school district or charter school has submitted certain items, as described in the act.

The tax credit program shall sunset after six years unless reauthorized by an act of the General Assembly. (§135.2100)

School districts and charter schools shall use any funds received through donations under this act, including gifts, bequests, public or private donations, or donations made through the tax credit program established by this act, only for the purpose of paying for an eligible student's portion of fees for dual enrollment and dual credit courses.

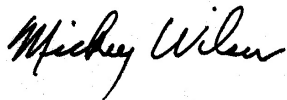
Each district or local educational agency that operates a high school and receives donations under this act shall establish a Missouri Dual Enrollment Scholarship board to determine an applicant's eligibility to receive a scholarship. The board shall be composed of five members: two members of a high school located in the district, two members of an institution of higher education that provides dual enrollment or dual credit opportunities in the district, and one member of the business community.

For a student to be eligible, he or she must: have attended a public high school in the state for at least one year, have earned a minimum grade point average while in high school as determined by the board, make a good faith effort to first secure any available federal funding, have at least a 95% attendance record, maintained a record of good citizenship and avoidance of unlawful use of drugs and alcohol, and meet any other criteria established by the board. (§173.2400)

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

Carondelet Leadership Academy
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Metropolitan Community College
Missouri State University
Missouri Western State University
New Haven School District
Office of Administration
 Division of Budget and Planning
 Information Technology Services Division
State Technical College of Missouri
University of Central Missouri
University of Missouri
West Plains School District
Wright City R-II School District



Mickey Wilson, CPA
Director
April 19, 2016

Ross Strobe
Assistant Director
April 19, 2016