

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6692-01
Bill No.: SB 1056
Subject: Higher Education; Department of Higher Education; Science and Technology;
 Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: March 13, 2018

Bill Summary: This proposal modifies the Science, Technology, Engineering and Mathematics Initiative.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Up to \$200,000)	(Up to \$204,000)
Total Estimated Net Effect on General Revenue	\$0	(Up to \$200,000)	(Up to \$204,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Science, Technology, Engineering and Mathematics	\$0	Up to \$200,000	Up to \$204,000
Total Estimated Net Effect on Other State Funds	\$0	Up to \$200,000	Up to \$204,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education (DHE)** stated DHE would be in charge of reviewing institutional matching fund requests for the Science, Technology, Engineering, and Mathematics Fund (subsection 173.670.6). This would require the promulgation of rules to determine how applicants would be selected, which could be handled with existing staff, and the addition of ½ Research Associate FTE to handle the continuous influx of applications for the two new programs .

Costs are estimated at \$23,925 for FY 2019, \$28,126 for FY 2020, and \$28,366 for FY 2021. Costs for the ½ FTE are based upon OA budget guidelines for FY19 standards for ongoing supplies, IT cost per FTE, etc.

Oversight assumes DHE could handle the program with existing staff. Should a sufficient number of new matching fund requests be submitted to justify additional FTE, DHE could request the FTE through the appropriation process.

Officials from **Department of Revenue** assume this proposed section would allow any taxpayer hiring a person who is currently enrolled in a field of study related to science, technology, engineering, or mathematics to apply up to \$10,000 of their state tax liability to be transferred from general revenue and placed in a STEM Fund. These transfers may not exceed \$200,000. The proposed legislation may reduce GR by \$200,000, but will have no effect on total state revenues.

In response to a similar proposal, HB 2255 (LR 5968-01), officials from the **Office of Administration - Budget and Planning** assumed section 173.670 of this proposal provides a process whereby a qualifying taxpayer that selects a qualifying intern or full-time employee may apply to have, upon appropriation, up to \$10,000 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 taxpayer shall remit their tax liability before such funds are transferred. The annual limit on funds that may be moved from General Revenue under this proposal is \$200,000; such limit shall be annually adjusted by inflation which is assumed to be 2% per year. This proposal will have no direct impact on TSR or general revenue collections.

ASSUMPTION (continued)

Officials from **Missouri Western State University** assume this proposal will have minimum fiscal impact on the university.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration, Missouri State University and State Technical College of Missouri** assume the proposal will have no fiscal impact on their organization.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring 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.

Oversight assumes this proposal allows for the transfer of a taxpayer's liability from General Revenue into the Science, Technology, Engineering and Mathematics (STEM) Fund, if the taxpayer provides education benefits or hires a student majoring in a STEM field as an intern or full-time position. Oversight will reflect the loss to General Revenue of Up to the \$200,000 which is the annual limit for tax year 2019 and grow by 2% inflation for years thereafter. Oversight assumes the tax year 2019 returns would be filed in FY 2020; therefore, Oversight will reflect the fiscal impact of the bill starting in FY 2020.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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GENERAL REVENUE

<u>Transfer Out</u> - to STEM Fund - taxpayer tax liability transferred for hiring an intern or full-time position §173.670.7	\$0	(Up to <u>\$200,000</u>)	(Up to <u>\$204,000</u>)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Up to <u>(\$200,000)</u>)	(Up to <u>\$204,000</u>)
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**SCIENCE, TECHNOLOGY,
 ENGINEERING AND
 MATHEMATICS FUND**

<u>Transfer In</u> - from General Revenue	\$0	Up to <u>\$200,000</u>	Up to <u>\$204,000</u>
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ESTIMATED NET EFFECT ON THE SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS FUND	<u>\$0</u>	Up to <u>\$200,000</u>	Up to <u>\$204,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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

This act changes the law regarding the Missouri Science, Technology, Engineering and Mathematics (STEM) Initiative. Missouri taxpayers who hire a STEM student attending a Missouri college for an internship in the state, or a STEM graduate from a Missouri college for a full-time STEM position in the state, may apply to have \$10,000 of state tax liability placed in the STEM Fund, subject to appropriation by the General Assembly and approval by the Department of Higher Education. The cumulative amount of taxes that may be transferred to the Fund is capped at an annual total of \$200,000 in tax year 2019 and adjusted annually for inflation in each subsequent tax year.

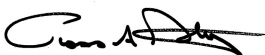
The act repeals provisions allowing endowed teaching professor programs and career enhancement programs to be included on the list programs eligible for moneys from the STEM Fund.

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 Higher Education
Department of Revenue
Office of Administration - Budget and Planning
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Insurance, Financial Institutions and Professional Registration
Missouri Western State University
State Technical College of Missouri
Missouri State University

Ross Strope



Acting Director
March 13, 2018