COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	3330-01
Bill No.:	SB 707
Subject:	State Auditor; Banks and Financial Institutions; Boards, Commissions, Committees and Councils; Children and Minors; Education, Elementary and Secondary; Department of Elementary and Secondary Education; Tax Credits; Taxation and Revenue - General; Teachers; State Treasurer
Type:	Original
Date:	February 17, 2020

Bill Summary: This proposal establishes the Missouri Empowerment Scholarship Accounts Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue*	($305,300)	Up to ($6,262,244) to ($50,375,379)	Up to ($6,277,497) to ($50,390,992)	Up to ($6,280,947) to ($50,394,442)
Total Estimated Net Effect on General Revenue*	**($305,300)**	**Up to ($6,262,244) to ($50,375,379)**	**Up to ($6,277,497) to ($50,390,992)**	**Up to ($6,280,947) to ($50,394,442)**

* The range in the fiscal impact stems from that amount of savings (if any) that can be realized by the state for students provided scholarships to attend private schools, home schools, or charter schools that would otherwise attend public schools.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 18 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
State School Moneys Fund*	$0	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0**

Cost avoidance and loss of $0 to approximately $44.2 million annually and net $0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	4 FTE	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	**4 FTE**	**5 FTE**	**5 FTE**	**5 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 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government - Local Public School Districts	**$0**	**Less than ($44,113,495)**	**Less than ($44,113,495)**	**Less than ($44,113,495)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal creates the Missouri Empowerment Scholarship Accounts Program, which grants scholarships to qualified students. A qualified student is any resident of Missouri that attended a public school as a full-time student; previously participated in the Missouri Empowerment Scholarship Accounts Program; is a child eligible to begin kindergarten; or is attending school for the first time; and who is identified by a district as a child with a disability; a child with a disability that is eligible to receive services from a school district under the federal Individuals with Disabilities Education Act; a child of a parent in active military service; a child who is a ward of the juvenile court and who is residing with a prospective permanent placement and for whom the case plan is adoption or permanent guardianship; a child who is a ward of the juvenile court and who has already achieved permanency through adoption permanent guardianship; or a child who can certify that he or she is the subject of bullying.

Beginning with Tax Year 2021, a taxpayer may claim a tax credit for contributions in an amount equal to eighty-five percent (85%) of the amount the taxpayer contributed during the tax year for which the credit is claimed. This proposal provides, to a taxpayer who makes a qualifying contribution to an educational assistance organization, a tax credit not to exceed 50 percent of the taxpayer's state tax liability. This credit may be carried forward for four subsequent tax years. This tax credit is capped at $50 million per calendar year. This proposal may reduce General Revenue (GR) and Total State Revenues (TSR) up to a minimum of ($50 million) annually starting on or after July 1, 2021 (Fiscal Year 2022).

This proposal may impact the calculation under Article X, Section 18(e).

Oversight assumes any reduction in GR and TSR would be recognized after January 1, 2022 (Fiscal Year 2022) when individuals are first able to file their Tax Year 2021 tax returns claiming the tax credit created under this proposed legislation. GR and TSR could potentially recognize savings in Fiscal Year 2022, before January 1, 2022, provided donations are made to educational assistance organizations; making readily available funds for scholarships for eligible students and reducing the cost to the state per pupil ($5,312) [assuming the students are currently enrolled in public schools].

Officials from the **Missouri State Treasurer's Office (STO)** state this bill requires the State Treasurer (STO) to operate a tax credit program related to donations to scholarship-granting organization.

ASSUMPTION (continued)

STO does not operate tax credit programs and does not currently have the resources to absorb these duties. STO anticipates a minimum of four (4) FTEs being required to perform the functions noted in the bill.

STO has assigned these costs to the General Revenue Fund as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, which authorizes the Treasurer to retain interest to fund the office functions pertaining to the management of state funds. The basis point cap included within this section cannot absorb additional functions without being raised above 15 basis points.

Beginning in Fiscal Year 2022, STO is required to conduct random, quarterly, and annual audits of the empowerment scholarship accounts. STO assumes one FTE, beginning in Fiscal Year 2022, is sufficient.

Oversight notes STO requires: one (1) Director, two (2) analysts, and one (1) clerk to administer the tax credit program established under this proposed legislation beginning in Fiscal Year 2021. Oversight further notes STO requires one (1) analyst to administer the audits of the Empowerment Scholarship Accounts beginning in Fiscal Year 2022. Oversight notes the STO is usually funded by the State Treasurer's General Operating Fund (0164); however, as mentioned by STO, the State Treasurer's General Operating Fund can not absorb the costs anticipated.

Oversight will show the administrative cost(s) reported by STO being credited from GR.

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** assume GR and TSR may be reduced by a range beginning at ($12,502,654) to ($50,000,000).

DESE notes the low estimate is unlikely to occur.

Basic data
$50,000,000 Tax Credit Cap
-10% for administration and marketing ($5,000,000)
=$45,000,000
÷ $6,375 state adequacy target at full funding
= 7,058 maximum number of available scholarships

2018-2019 State Funding	$4,347,446,561
2018-2019 Regular Term ADA[1]	818,473
Total State Revenue per pupil by regular term ADA	$5,312

1. Average daily attendance (ADA) is attendance hours reported per student ÷ hours eligible per student. Enrollment is the number of students formally enrolled in a district who could be in

attendance on any given day. ADA is typically slightly lower than the enrollment number. Since state aid is paid based on ADA, the revenue per pupil is calculated by ADA.
ASSUMPTION (continued)

POSSIBLE SCENARIOS

Public School to Private School or Nonresident Public School
If scholarship recipients are public school students who use the scholarship at a non-public school or a public school outside their district of residence, the cost to the state would be $12,502,654.

7,058 scholarships
× $1,063 (difference between average state funding per pupil and scholarship amount)
= $7,502,654
+$5,000,000 (costs for administration and marketing subtracted from $50,000,000)
=$12,502,654

Non-public school to non-public school
If all scholarship recipients go from non-public schools to non-public schools (or are incoming kindergartners who would be going to non-public schools), the cost to the state is $50,000,000. All of these students would be new inclusions in state support. This scenario assumes that any non-public students using the scholarship meet the requirement of previously being enrolled in public school or are incoming kindergartners who would choose to attend non-public school. ($6,375× 7,058) scholarships and administration)

Proportionate distribution of students from public (87.8%) and non-public (12.2%) all going to non-public (See enrollment figures in Table 1.)

Total scholarships available -7,058
Public - 6,195
Non-public - 863

Public - $1,063 per pupil new cost to state (difference between scholarship amount and current average state aid per pupil)
Non-public - $6,375 per pupil new cost to state

6,195 × $1,063 = $6,584,807
863 × $6,375 = $5,504,493
= $12,089,300
+$5,000,000 (costs for administration and marketing subtracted from $50,000,000)

TOTAL $17,089,300

ASSUMPTION (continued)

The total new cost to the state if a proportionate distribution of students from public and non-public schools use the scholarship at a non-public school = $17,089,300

This scenario assumes that any non-public students using the scholarship meet the requirement in the legislation of having previous enrollment in public school or are incoming kindergartners.

Table 1. Student population and enrollment

2018 Population estimate ages 5-17[2]		1,007,117
2018-19 K-12 enrollment in public schools	87.8%	881,277
2018-19 Estimated non-public and home school enrollment	12.2%	122,840

Oversight notes DESE assumes GR and TSR will be reduced by a range of ($12,502,654) to ($50,000,000) annually.

Oversight notes DESE used the potential revenues available for scholarships ($45,000,000) [$50,000,000 less amounts retained by educational assistance organization and STO for administration costs] and divided such by the state adequacy target ($6,375) to determine how many scholarships would be available for students. DESE then multiplied the amount of students that could receive a scholarship by the difference between the current State cost per pupil ($5,312) and the maximum scholarship amount an eligible student could receive ($6,375) to determine the new cost or expense to the State under the Missouri Empowerment Scholarship Accounts Program.

Oversight notes DESE's response includes an estimated impact assuming all participants in the program are current public school students who would use the scholarship to enroll and attend a non-public school or a school outside the school district in which the qualified student resides. DESE estimates this scenario to reduce GR and TSR by $12,502,654.

In addition, DESE's response includes an estimated impact assuming 87.8% of the participants in the program are current public school students who would use the scholarship to enroll and attend a non-public school and 12.2% of the participants are current non-public school students who would use the scholarship and remain in a non-public school. DESE estimates this scenario would reduce GR and TSR by $17,089,300.

Lastly, DESE's response assumes if all participants in the program are current non-public school students or incoming kindergarten students who enroll or continue enrollment in non-public schools , GR and TSR would be reduced by ($50,000,000).

ASSUMPTION (continued)

Oversight notes DESE assumes $50,000,000 will be available to educational assistance programs to be used for scholarships. Oversight assumes the amount available to educational assistance programs, to be used for scholarships, will be grater than $50,000,000. Oversight notes this proposed legislation places a cap on the amount of tax credits that may be allocated to taxpayers contributing to educational assistance organizations in any one calendar year equal to $50,000,000. Furthermore, this proposed legislation awards a tax credit equal to eighty-five percent (85%) of the amount a taxpayer contributes. Therefore, Oversight assumes the actual funds available for scholarships could amount to $58,823,529 ($50,000,000 / 85%). When taking into consideration the provision of this proposed legislation that states educational assistance organizations must ensure at least ninety percent of its revenues from qualifying contributions is spent on scholarship accounts, Oversight assume the net amount available to be used for scholarships totals $52,941,176 ($58,823,529 - (58,823,529 * 10%)) or ($58,823,529 * 90%).

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation creates a tax credit for taxes due under Chapters 143 and 153 in an amount equal to eighty-five percent (85%) of contributions made to an educational assistance organization. The amount of tax credit claimed shall not exceed fifty percent (50%) of the taxpayer's state tax liability. The tax credits allocated may not exceed $50 million per calendar year. The loss to GR is the $50 million cap annually.

DOR anticipates the proposed legislation will result in an increase significant enough to require the following: one (1) Revenue Processing Technician I ($24,360 annual salary, $16,342 fringe benefits, and $7,388 for equipment and expense) for every 6,000 tax credits redeemed, one (1) Revenue Processing Technician I ($24,360 annual salary, $16,342 fringe benefits, and $7,388 for equipment and expense) for every 7,600 errors or pieces of correspondence generated as a result of this proposed legislation. In addition, DOR requires $2,000 for forms and programming changes.

Oversight notes this proposed legislation allows for a tax credit equal to eighty-five percent (85%) of the contribution to an educational assistance organization with no cap on the amount a taxpayer may claim on their Missouri tax return, other than it may not exceed 50% of the taxpayer's state tax liability. Oversight does not anticipate the increase in the number of redemptions to require an increase in DOR FTE. Therefore, for purposes of this fiscal note, Oversight will not report a fiscal impact for this organization. Should the increase prove to be significant, though, DOR may seek additional FTE through the appropriations process.

ASSUMPTION (continued)

Oversight notes, for all fiscal years beginning on or after July 1, 2021 (Fiscal Year 2022), any taxpayer who makes a qualifying contribution to an educational assistance organization may claim a tax credit against tax due under Chapter 143, excluding Withholding Tax, and Chapter 153 in an amount equal to eighty-five percent (85%) of the amount the contribution.

The amount of tax credit claimed may not exceed 50% of the taxpayer's tax liability but, for any amount of tax credit that does exceed the taxpayer's tax liability, may be carried forward to any of the taxpayer's four subsequent tax years.

No tax credit authorized under this section of this proposed legislation may be transferred, sold or assigned.

Oversight notes the cumulative amount of tax credits that may be allocated to all taxpayers contributing to educational assistance organizations in any calendar year is fifty million dollars ($50,000,000).

Oversight notes the Missouri State Treasurer shall allocate the tax credits available to educational assistance organizations on a first-come first-serve basis.

Oversight assumes the established cap will be claimed annually. Therefore, Oversight estimates the tax credit would reduce GR and TSR by $50,000,000 beginning in Fiscal Year 2022 and each year thereafter.

Oversight notes the education assistance organizations that receive contributions from taxpayers are required to use at least ninety percent (90%) of the revenues toward scholarships for qualified students. Oversight estimates, ninety percent of the total contributions would equal $52,941,176 (($50,000,000 / 85%) * 90%). The amount that may be disbursed to each qualifying students scholarship account may not exceed the state adequacy target ($6,375).

Oversight notes there are various scenarios that would produce different impacts to GR and TSR. Oversight will provide two scenarios; one that reports the smallest impact and one that reports the largest impact to GR and TSR.

Scenario One - Smallest Impact to GR and TSR

Oversight notes, if $52,941,176 is available for scholarships in the first year of the program, the minimum number of scholarships that could be awarded to qualifying students totals 8,304 ($52,941,176 / $6,375).
ASSUMPTION (continued)

Oversight assumes, if the state funding for the 8,304 students is no longer recognized, as these students would be required to enroll and attend a private school or a public school outside the school district in which the qualified student resides, GR and TSR would recognize a savings equal to $44,113,495 ($5,312 [state cost per pupil] * 8,304). The savings recognized from the state funding of the 8,304 students, in conjunction with the $50,000,000 available in tax credits (max), would result in a net reduction to GR and TSR equal to ($5,886,505) [$44,113,495 - $50,000,000].

Oversight notes this is the smallest impact to GR and TSR as the estimated savings assumes **all** participating students are currently enrolled in public school who would use the scholarship funds to enroll in non-public school or a school in a district outside the school district in which the qualified student resides.

Oversight further notes the impact to GR and TSR is dependent on several objects: 1) the amount contributed to educational assistance organizations, 2) the actual participation rate in the program, 3) the current enrollment status of qualifying students (public school/non-public school, incoming kindergarten student), and 4) the actual amount of scholarship awarded to each qualifying student.

Scenario Two - Highest Impact to GR and TSR

Oversight notes, if **all** participating qualified students are currently enrolled in non-public schools or schools outside the district in which the qualified student resides or an incoming kindergartner, and receives scholarships under this proposed legislation to attend a non-public school, GR and TSR would experience a net reduction equal to $50,000,000 (max amount available in tax credits).

Oversight further notes the impact to GR and TSR is dependent on several objects: 1) the amount contributed to educational assistance organizations, 2) the actual participation rate in the program, 3) the current enrollment status of qualifying students (public school/non-public school, incoming kindergarten student), and 4) the actual amount of scholarship awarded to each qualifying student.

For purposes of this fiscal note, Oversight will report Oversight’s estimates to GR, the State Schools Money Fund, and to Local Public School Districts.

Oversight notes local public school districts could experience a savings equal to an unknown amount due to the transfer of students to non-public schools or schools outside the school district the qualified student resides. Oversight assumes some expenditures of local school districts, though, are fixed costs and may not change even as students transfer.
ASSUMPTION (continued)

Furthermore, local political school districts could experience a loss of state funding due to the decreased ADA for the students who transferred.

For the purposes of this fiscal note, Oversight will report a positive unknown fiscal impact to local political school districts and a loss ranging from $0 to the estimated savings GR and TSR would recognize from students transferring from public schools to non-public schools or schools outside the district in which the qualified student resides.

Officials from the **Missouri Attorney General's Office (AGO)** assumes that any additional litigation costs arising from this proposal can be absorbed with existing personnel and resources, however, the AGO may seek additional appropriations if there is a significant increase in litigation.

Oversight notes the AGO assumes it can absorb the responsibilities of any additional litigation that may arise from this proposed legislation. However, if the increase in litigation is significant, the AGO may seek additional appropriation through the appropriation process.

Oversight notes the **Missouri State Public Defender's Office**, the **Missouri Department of Public Safety - Highway Patrol Division**, the **Office of Administration**, the **Missouri Office of State Courts Administrator**, the **Missouri Department of Higher Education and Workforce Development**, the **Missouri State Auditor's Office** , the **Missouri Department of Commerce and Insurance**, the **Missouri Department of Social Services**, the **Missouri Office of Prosecution Services**, the **St. Louis County Police Department**, the **St. Louis County Department of Justice Services** and the **Springfield Police Department** have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

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 $5,000. 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 Government	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
GENERAL REVENUE FUND				
Revenue Reduction - Section 135.713 - Tax credit for donations to educational assistance organizations - p. 9	$0	Up to ($50,000,000)	Up to ($50,000,000)	Up to ($50,000,000)
Savings/Cost Avoidance - Section 135.714 - State Schools Money Fund transfers decreased due to transfer of qualified students - p. 10	$0	$0 to $44,113,495	$0 to $44,113,495	$0 to $44,113,495
Costs - STO Administrative Costs - Section(s) 135.713, 135.714, 135.716, 166.710 - p. 5				
Personal Services	($157,571)	($231,081)	($233,392)	($235,726)
Fringe Benefits	($90,729)	($122,822)	($135,109)	($135,885)
Equipment & Expense	($57,000)	($21,836)	($22,491)	($22,831)
Total Cost	($305,300)	($375,739)	($390,992)	($394,442)
FTE Change - STO	4 FTE	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($305,300)**	**Up to ($6,262,244) to ($50,375,739)**	**Up to ($6,277,497) to ($50,390,992)**	**Up to ($6,280,947) to ($50,394,442)**

FISCAL IMPACT - State Government	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
STATE SCHOOL MONEYS FUND (0616)				
Cost Avoidance - Section 135.714 - General Revenue Decreased ADA for transfer of qualified students - p. 10	$0	$0 to $44,113,495	$0 to $44,113,495	$0 to $44,113,495
Loss - Section 135.714 - Schools Decreased ADA for transfer of qualified students - p. 11	$0	$0 to ($44,113,495)	$0 to ($44,113,495)	$0 to ($44,113,495)
ESTIMATED NET EFFECT ON STATE SCHOOLS MONEY FUND	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
LOCAL PUBLIC SCHOOL DISTRICTS				
Savings - Section 135.714 - School Districts - Transfer of qualified students out of school district or to non-public school - p. 10	$0	Unknown	Unknown	Unknown
Loss - Section 135.714 - state funding Schools decreased ADA for transferred students - p. 11	$0	$0 to ($44,113,495)	$0 to ($44,113,495)	$0 to ($44,113,495)
ESTIMATED NET EFFECT ON LOCAL PUBLIC SCHOOL DISTRICT FUNDS	**$0**	**Less than ($44,113,495)**	**Less than ($44,113,495)**	**Less than ($44,113,495)**

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that makes a contribution to an educational assistance organization as they could receive a tax credit to reduce their state tax liability. (Section 135.713)

FISCAL DESCRIPTION

For all fiscal years beginning on or after July 1, 2021, a taxpayer may make a qualifying contribution to an educational assistance organization and claim a tax credit equal to 85% of the amount of the contribution. The amount of the tax credit claimed shall not exceed 50% of the taxpayer's state tax liability for the tax year for which the credit is claimed, and a taxpayer may carry the credit forward to any of the next four tax years. Tax credits authorized under the program may not be transferred, sold, or assigned, and are not refundable.

FISCAL DESCRIPTION (continued)

The annual cumulative amount of tax credits that may be allocated shall not exceed $50 million. The State Treasurer shall establish a procedure to allocate the tax credits to the educational assistance organizations on a first come, first served basis. (Section 135.713)

An educational assistance organization shall meet certain requirements set forth in the act, including notifying the State Treasurer of its intent to provide scholarship accounts; being a 501(c)(3) organization; providing a receipt to taxpayers for contributions; ensuring that funds are used as specified in the act; distributing scholarship payments four times per year in an amount not to exceed the state adequacy target; carry forward no more than 25% of the revenue from contributions into the following fiscal year; providing the State Treasurer, upon request, with criminal background checks on all employees and board members; annually administer either the state achievement tests or nationally norm-referenced tests and provide such results to the parents of participating students and to the State Treasurer; conduct an annual parental satisfaction survey; and demonstrate financial accountability and viability, as described in the act.

Each educational assistance organization shall publicly report to the State Treasurer, by June first annually, the name and address of the organization, the total number and dollar amount of contributions during the previous calendar year, and the total number and dollar amount of scholarship accounts opened during the previous calendar year. (Section 135.714)

The State Treasurer shall provide standardized forms for program participants, and shall require a taxpayer to provide a copy of such receipt if claiming a tax credit under the program.

The State Treasurer or State Auditor may conduct an investigation of any educational assistance organization if it possesses evidence of fraud. In addition, the State Treasurer may bar an educational assistance organization from participating if the organization has failed to comply with program requirements.

The State Treasurer shall issue a report on the state of the program five years after it goes into effect, including information regarding the finances of the educational assistance organization, and educational outcomes of qualified students. (Section 135.716)

The provisions of the Missouri Sunset Act shall not apply to the program. (Section 135.719)

A student is eligible to receive funds in a Missouri Empowerment Scholarship Account if he or she is identified as having a disability as set forth in the act, is a child of a parent in active military service, is a ward of the state, or can certify that he or she has been bullied. A high school student may be eligible to receive funds, if he or she is enrolled in a vocational education program at his or her high school or at an area vocational school, or in any job training or educational program offered by a labor organization.

FISCAL DESCRIPTION (continued)

A qualified student shall also have attended a public school under circumstances set forth in the act or be eligible to begin kindergarten. (Section 166.700)

A parent of a qualified student shall only use the money in the account for certain expenses related to the qualified student's education, as described in the act.

The parent of a qualified student shall sign an agreement with an educational assistance organization to enroll the qualified student in a qualified school to receive an education for the student in certain subjects; not enroll the student, other than a student that is in the custody of the state, in a school operated by the qualified student's district of residence or in a charter school; release the district of residence from the obligation of educating the student while the student is enrolled in the program; use the Missouri Empowerment Scholarship Account money for only specified purposes; and not use the funds for consumable education supplies or tuition at a private school located outside of the state.

The scholarship accounts are renewable on an annual basis upon request of the parent of a qualified student. A qualified student shall remain eligible for renewal until the student completes high school. If a qualified student withdraws from the program by enrolling in a school other than a qualified school, or is disqualified from the program for violations specified in the act, the scholarship account shall be closed and any remaining funds shall be returned to the educational assistance organization for redistribution to other qualified students. When a student withdraws from the program, the responsibility for providing an education for that student transfers back to the student's district of residence.

The funds remaining in the scholarship account at the end of a school year shall remain in the account for the following school year. Any funds remaining in the account after graduation shall be returned to the educational assistance organization for redistribution to other qualified students. (Section 166.705)

Beginning in the 2022-2023 school year, the educational assistance organization shall conduct or contract for an annual audit of accounts to ensure compliance. A parent may be disqualified from program participation if the State Treasurer determines that the parent is found to have committed an intentional program violation. The State Treasurer may refer cases of substantial misuse of moneys to the Attorney General. (Section 166.710)

A person commits a Class A misdemeanor if he or she is found to have knowingly used moneys for any purposes other than those set forth in the act. (Section 166.715)

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 Administration - Budget & Planning Division
Missouri State Treasurer's Office
Missouri Department of Revenue
Missouri Department of Elementary and Secondary Education
Missouri Attorney General's Office
Missouri State Public Defender's Office
Missouri Department of Public Safety - Missouri Highway Patrol Division
Office of Administration - Administrative Hearing Commission
Office of Administration
Office of State Courts Administrator
Missouri Department of Higher Education and Workforce Development
Missouri State Auditor's Office
Missouri Department of Commerce and Insurance
Missouri Department of Social Services
Office of Prosecution Services
St. Louis County Police Department
St. Louis County Department of Justice Services
Springfield Police Department
Joint Committee on Administrative Rules
Missouri Secretary of State's Office

Julie Morff
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February 17, 2020

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February 17, 2020

TS:LR:OD