

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4362S.02I
Bill No.: SB 998
Subject: Attorneys; Courts; Disabilities; Education, Elementary and Secondary; Department of Elementary and Secondary Education; Immigration; Tax Credits; Treasurer, State
Type: Original
Date: January 12, 2026

Bill Summary: This proposal creates, repeals, and modifies provisions relating to the Missouri Empowerment Scholarship Accounts Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Potential cost to General Revenue to transfer funds to the MO Empowerment Scholarship Accounts Fund due to increased eligibility. Oversight assumes the impact could exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
MO Empowerment Scholarship Accounts Fund (1278)	\$0 or (Could exceed \$64,368)	\$0 or (Could exceed \$61,570)	\$0 or (Could exceed \$62,474)
Total Estimated Net Effect on Other State Funds	\$0 or (Could exceed \$64,368)	\$0 or (Could exceed \$61,570)	\$0 or (Could exceed \$62,474)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
MO Empowerment Scholarship Accounts Fund (1278)	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE
Total Estimated Net Effect on FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§166.700, 166.719, and 166.720 - Missouri Empowerment Scholarship Accounts Program

Officials from the **Office of Administration-Budget & Planning** and **Office of the State Courts Administrator** did not respond to **Oversight**'s request for fiscal impact for this proposal.

Officials from the **Office of the State Treasurer (STO)** assume this wording will greatly increase the number of students that would qualify under the special needs/IEP clause. This version also takes out the need for any accreditation by a school to become a qualified school for the MOScholars program. This will significantly increase the number of students that will be able to apply for the program because many more schools will be eligible. This will also significantly increase the amount of funding needed for the program as well. The STO would need to hire multiple new FTE to continue to operate the program at an increased capacity. At this time the STO cannot adequately gauge how many FTE would be needed.

Oversight notes the proposal may result in an increase in the number of accounts administered due to the expansion of eligibility; therefore, **Oversight** will reflect the cost that could exceed (1) FTE as estimated by STO in the fiscal note beginning in FY 2027.

Oversight notes the cumulative amount of tax credits that may be allocated to all taxpayers contributing to educational assistance organizations in any one calendar year shall not exceed a maximum of seventy-five million dollars. The total amount of tax credits authorized in 2025, according to the Tax Credit Analysis Form submitted by the STO, was \$27,625,000.

Additionally, for FY 2026, the General Assembly appropriated \$50 million from general revenue to be transferred to Missouri Empowerment Scholarship Accounts Fund. (Source: TAFP CCS for SS for SCS for HCS for HB 12 – 2025.)

Oversight notes, per the Monthly Fund Activity Report for December 2025, the current balance in the Missouri Empowerment Scholarship Accounts fund was \$11,540,130.

Per the STO FY 2027 Budget Request Appropriations Book, the STO noted: *The State Treasurer requests \$100,000,000 in FY27 spending authority for the Missouri Empowerment Accounts Program (MESAP). The Missouri Empowerment Scholarship Accounts Program provides for contributions to approved nonprofit Educational Assistance Organizations (EAOs). These EAOs use the contributions to award scholarships to Missouri students with Individualized Education Plans and students living in low-income households. Demand for the program continues to grow as more Educational Assistance Organizations (EAOs) and families participate. The FY2026 appropriation provided \$50,000,000. Actual and projected demand now requires \$100,000,000*

in FY27 to ensure sufficient spending authority for scholarships, compliance with statutory obligations, and timely reimbursement for tuition and fees.

Oversight is uncertain if General Revenue would be needed to provide scholarships if there is an increase in eligibility. Therefore, Oversight will show a zero to unknown transfer out from General Revenue to the MO Empowerment Scholarship Accounts Fund. Oversight assumes the cost could exceed \$250,000.

For simplicity, Oversight will assume the funds transferred to the MO Empowerment Scholarship Accounts Fund will be utilized in the year in which they were received (and the fund would net to zero). If no funds are transferred, Oversight assumes there will be a net cost to the fund that could exceed the estimated FTE costs.

For informational purposes, Oversight notes the following participation in the program by year:

Fiscal Year	Number of Scholarships Awarded
FY 2023 Actual	1,365
FY 2024 Actual	1,997
FY 2025 Actual	2,677
FY 2026 Target	6,000
FY 2027 Target	13,000
FY 2028 Target	16,000

Source: STO FY 2027 Budget Request Appropriations Book

For the 2024-2025 school year the total amount of money sent to qualified schools was \$15,223,751 (per the STO's website).

Officials from the **Department of Revenue (DOR)** assume this proposal modifies numerous definitions under the MO Empowerment Scholarship program. This proposal does not modify the tax credit itself, and therefore, will not impact DOR. DOR defers to the State Treasurer, the administrator of the program, and the Department of Elementary and Secondary Education for impact.

Officials from the **Office of the State Public Defender, Department of Elementary and Secondary Education, and Oversight Division** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Rockwood R -VI School District** assume this proposal has an unknown fiscal impact on our school district, though potential impacts are a concern. As the program allows for the use of general state revenue for private school scholarships, this creates a potential for public funds to be diverted from the public education foundation formula. The exact financial effect on our district's state aid cannot be calculated at this time, but any reduction in public school funding would strain essential services and resources for our students.

Rule Promulgation

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)** note 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
Transfer Out – STO (\$166.700) To the MO Empowerment Scholarship Accounts fund p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
MO EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND (1278)			
Transfer In - (\$166.700) from General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Cost – STO (\$166.700) Greater utilization of the program p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Cost – STO (\$166.700) Greater utilization of the program p.3	Could Exceed	Could Exceed	Could Exceed
Personal Services	(\$26,355)	(\$32,259)	(\$32,904)
Fringe Benefits	(\$24,213)	(\$29,311)	(\$29,570)
Equipment and Expense	(\$13,800)	\$0	\$0
Total Costs – STO	(\$64,368)	(\$61,570)	(\$62,474)
FTE Change – STO	Could Exceed 1 FTE	Could Exceed 1 FTE	Could Exceed 1 FTE
ESTIMATED NET EFFECT ON MO EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND (1278)	\$0 or (Could exceed \$64,368)	\$0 or (Could exceed \$61,570)	\$0 or (Could exceed \$62,474)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	\$0	\$0	\$0

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act creates, repeals, and modifies provisions of the Missouri Empowerment Scholarship Accounts Program.

The act changes the definition of "illegal alien" to "legal resident" as set forth under federal law. The act modifies the definition of "qualified student" by removing the requirement for a qualified student to have attended a public school during the previous 12 months, as well as removing requirements relating to students' kindergarten eligibility and siblings who participate in the program. Such definition is further modified by adding disability diagnoses to requirements concerning individualized education plans.

The act provides that an organization representing a group of parents of qualified students may intervene on behalf of such parents as a defendant in any action in which any provision of state law, the Missouri Constitution, or a state regulation involving the program is at issue. An organization that intervenes as provided in the act shall have the right to file such pleading necessary on behalf of such parents.

Finally, except as specifically provided in state law, the act prohibits the creation or enforcement of any rule, regulation, or other requirement that conditions a qualified school's participation in the program on accreditation or compliance with any other requirement. Any rule, regulation, or other requirement that violates this provision is void and shall have no force or effect.

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 Public Defender

Department of Elementary and Secondary Education

Office of the Secretary of State

Office of the State Treasurer

Department of Revenue

Joint Committee on Administrative Rules

Oversight Division

Rockwood R-VI School District



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