

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4453-03  
Bill No.: HCS for HB 2068  
Subject: Tax Credits; Education, Elementary and Secondary, Department of Revenue;  
 State Treasurer  
Type: Original  
Date: March 4, 2020

Bill Summary: This proposal establishes the “Show Me a Brighter Future Scholarship Act.”

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2030)
General Revenue*	(\$301,767)	(\$4,490,836) to (\$8,657,111) to (\$13,418,568) to (\$25,322,209)	(\$4,910,787) to (\$9,493,689) to (\$14,731,291) to (\$27,825,297)	(\$8,686,707) to (\$17,019,256) to (\$26,542,169) to (\$50,349,452)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>(\$301,767)</b>	<b>(\$4,490,836) to (\$8,657,111) to (\$13,418,568) to (\$25,322,209)</b>	<b>(\$4,910,787) to (\$9,493,689) to (\$14,731,291) to (\$27,825,297)</b>	<b>(\$8,686,707) to (\$17,019,256) to (\$26,542,169) to (\$50,349,452)</b>

\*The net fiscal impact depends upon the potential savings to the state (if any) of the scholarship recipients attending non-public schools or other public schools. As a 100% tax credit, Oversight assumes the full allocation of tax credits will be claimed each year. Oversight has ranged the reduced foundation formula expenditures (savings) to the state based upon several scenarios including the make-up of scholarship recipients, the scholarship amount being at least equal (could potentially be less) to the state adequacy target, and the timing of the now reduced average daily attendance impacting the foundation formula calculation.

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2030)</b>
State School Moneys*	\$0	\$0	\$0	\$0
Show Me a Brighter Future Scholarship Fund	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Cost avoidance and loss of \$0 to approximately \$21 million to \$42 million (fully implemented) and net to \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2030)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2030)</b>
General Revenue	4 FTE	4 FTE	4 FTE	4 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>4 FTE</b>	<b>4 FTE</b>	<b>4 FTE</b>	<b>4 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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2030)</b>
<b>Local Government</b>	<b>\$0</b>	<b>Less than (\$20,831,373)</b>	<b>Less than (\$22,914,510)</b>	<b>Less than (\$41,662,745)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal creates the Show Me a Brighter Future Scholarship Fund, which grants scholarships to eligible students for qualifying schools.

An eligible student is a member of a household whose total annual income in the year prior does not exceed an amount equal to two times the income standard used to qualify for free and reduced lunch; and attended a public school for the preceding school year; received a scholarship grant from the program in the preceding semester; is starting school in Missouri for the first time and is a sibling of a student already enrolled in the program; or is an active duty military dependent who is enrolling in a school in the state for the first time.

A qualifying school is any private school in the state or any public school not within an eligible student's district of residence that provides education to elementary or secondary students and has notified the state treasurer of its intention to participate. The qualifying school must be accredited by an accrediting body approved by the state treasurer; annually administer a state or national achievement tests as set forth in section 160.518; comply with all health and safety laws; hold a valid occupancy permit; comply with employee criminal background checks; and require at least 80% of teachers hold bachelor's degrees.

The Show Me a Brighter Future Scholarship Fund will be administered by the State Treasurer. A scholarship grant shall not exceed an amount equal to the state adequacy target or the actual tuition at a qualifying school, whichever is less.

This legislation also renames the "Missouri Education Savings Program" to the "Missouri Education Program."

Beginning with Tax Year 2021, a taxpayer may claim a tax credit for contributions to the Show Me a Brighter Future Scholarship Fund in an amount equal to one hundred percent (100%) of the amount the taxpayer contributed during the tax year for which the credit is claimed, not to exceed fifty percent (50%) of the taxpayer's state tax liability. This credit may be carried forward for three subsequent tax years.

The cumulative amount of tax credits is capped at \$25 million per calendar year, unless the amount of tax credits claimed in the first tax year exceeds ninety percent (90%) of the tax credits available, then the amount of the tax credits available shall increase by ten percent (10%) in the subsequent years. This proposal may reduce General Revenue (GR) and Total State Revenue (TSR) up to a minimum of \$25 million starting on or after July 1, 2021 and up to a minimum of (\$27.5 million) annually starting on or after July 1, 2022.

ASSUMPTION (continued)

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

**Oversight** notes B&P assumes GR and TSR may be reduced by an amount up to \$25,000,000 beginning in Fiscal Year 2022 and \$27,500,000 each year thereafter (\$25,000,000 + ten percent increase provided 90% of the total available tax credits is claimed in the first year).

**Oversight** notes this proposed legislation would allow the cumulative amount of tax credits to increase by ten percent (10%) each year, so long as the total cumulative amount of tax credits available do not exceed \$50,000,000. For the purposes of this fiscal note, Oversight will assume the amount of tax credits claimed in the first year exceed \$22,500,000 (\$25,000,000 \* 90%) and the cumulative amount of tax credits increase by ten percent (10%) each year thereafter, not to exceed \$50,000,000. Oversight notes the tax credit program begins for all tax years beginning on or after January 1, 2021; individuals would not file their Tax Year 2021 tax returns claiming this credit until after January 1, 2022 (Fiscal Year 2022). Therefore, Oversight assumes, as it relates to the tax credit program, GR and TSR could be reduced by the following amounts each fiscal year:

Fiscal Year	Fiscal Impact
Fiscal Year 2022	(\$25,000,000)
Fiscal Year 2023	(\$27,500,000)
Fiscal Year 2024	(\$30,250,000)
Fiscal Year 2025	(\$33,275,000)
Fiscal Year 2026	(\$36,602,500)
Fiscal Year 2027	(\$40,262,750)
Fiscal Year 2028	(\$44,289,025)
Fiscal Year 2029	(\$48,717,928)
Fiscal Year 2030*	(\$50,000,000)

\*Oversight notes this proposed legislation allows the cumulative amount of tax credits to increase by ten percent (10%) each year, so long as the cumulative amount does not exceed \$50,000,000. Oversight notes a ten percent (10%) increase each year would equate an amount equal to \$48,717,928 in Fiscal Year 2029. A subsequent increase of ten percent (10%) for Fiscal Year 2030 would amount to \$53,948,692. For purposes of this fiscal note, Oversight will assume the tax credit may increase by the percent difference between \$48,717,928 to \$50,000,000 in Fiscal Year 2030 (2.6316236%).

ASSUMPTION (continued)

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** assume GR and TSR may be reduced by a range from \$4,168,023 to \$13,096,404 once fully implemented.

Basic Data:

\$25,000,000 Tax Credit Cap

- ÷ \$6,375 state adequacy target at full funding for non-special education students
- = 3,921 maximum number of available scholarships for non-special education students
- ÷ \$7,969 (\$6,375 x 1.25) state adequacy target at full funding for FRL/LEP students
- = 3,137 maximum number of available scholarships for FRL/LEP students
- ÷ \$11,156 (\$6,375 x 1.75) state adequacy target at full funding for special education students
- = 2,241 maximum number of available scholarships for special education students

2018-2019 State Funding	\$4,347,446,561
2018-2019 Regular Term ADA <sup>1</sup>	818,473
Total State Revenue per pupil by regular term ADA	\$5,312

\*ADA - Average Daily Attendance

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.

If scholarship recipients are all non-special education public school students (or are incoming kindergartners who would be going to non-public schools) who use the scholarship at a non-public school the cost to the state would be \$4,168,023.

3,921 scholarships

× \$1,063 (difference between average state funding per pupil and scholarship amount)  
 =\$4,168,023

If scholarship recipients are all FRL/LEP public school students (or are incoming kindergartners who would be going to non-public schools) who use the scholarship at a non-public school the cost to the state would be \$8,335,009.

3,137 scholarships

× \$2,657 (difference between average state funding per pupil and scholarship amount)  
 =\$8,335,009

ASSUMPTION (continued)

If scholarship recipients are all special education public school students (or are incoming kindergartners who would be going to non-public schools) who use the scholarship at a non-public school the cost to the state would be \$13,096,404.

2,241 scholarships  
× \$5,844 (difference between average state funding per pupil and scholarship amount)  
=\$13,096,404

**Oversight** notes DESE assumes GR and TSR would be reduced by a range of \$4,168,023 to \$13,096,404 annually (assuming the tax credit program cap remains at \$25,000,000 for all years).

**Oversight** notes DESE used the potential revenues available for scholarships (\$25,000,000) and divided the maximum amount of funding by the state adequacy target for non-special education students, FRL/LEP students, as well as for special education students then multiplied the number of potential students by the difference between the average state funding per student and the scholarship amount.

Officials from the **Missouri State Treasurer's Office (STO)** state this proposed legislation requires STO to operate a tax credit program related to donations to the Show Me a Brighter Future Scholarship Fund.

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) FTE being required to perform the functions noted in the bill; one (1) Director (\$84,925 annually), two (2) analysts (\$39,708 annually), one (1) clerk (\$24,744 annually).

STO has assigned these costs to the GR 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 STO to retain interest to fund 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.

**Oversight** will show the need for the STO's FTE(s) in this fiscal note. Oversight notes the Missouri State Treasurer's Office 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 reported. Oversight will show the costs being paid out of GR.

ASSUMPTION (continued)

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation creates the Show Me a Brighter Future Scholarship Fund.

Furthermore, this proposed legislation allows, for fiscal years beginning on or after January 1, 2021, any taxpayer making a qualifying contribution to the scholarship fund to claim a credit against income tax or the tax under chapter 153, in an amount equal to 100% of the taxpayer's contribution to the Show Me a Brighter Future Scholarship fund. The credit may not exceed 50% of an individual's or a corporation's tax liability for the tax year. Credits may be carried forward three years, but they may not be transferred and they are not refundable.

This proposed legislation limits the cumulative amount of credits to \$25,000,000 for the first year, with a possible 10% increase in each subsequent year not to exceed \$50,000,000. The state treasurer is to establish a procedure to allocate the credits.

DOR assumes this would impact General Revenue by \$25 million in year 1 and Up to \$50,000,000 when fully implemented.

One (1) Revenue Processing Technician for every 6,000 tax credits redeemed (Individual Income Tax), one (1) Revenue Processing Technician for every 4,000 tax credits redeemed (Corporate Income Tax), one (1) Revenue Processing Technician for every 7,600 errors/correspondence generated, and funds for forms and programming changes.

**Oversight** notes DOR assumes they can absorb the responsibilities of the new tax credit program created by this proposed legislation with existing resources. However, if the number of redemptions and errors/correspondence is significant, DOR may seek additional FTE through the appropriations process.

**Oversight** notes this tax credit program has an established cap of \$25 million per fiscal year. This cap is subject to increase by ten percent (10%) if the total amount of tax credits claimed in the first tax year of the program exceeds ninety percent (90%) of the total amount available. Oversight assumes if the total amount of tax credits claimed in the first year exceeds \$22.5 million (\$25 million \* 90%), the cap, beginning Fiscal Year 2023, would increase by ten percent (10%) each year thereafter, so long as the total cumulative amount of tax credits available do not exceed \$50,000,000.

For purposes of this fiscal note, Oversight assumes the amount of tax credits claimed in the first year will exceed ninety percent (90%) of the total tax credits available. Therefore, Oversight assumes the following amount of tax credits available each fiscal year:



ASSUMPTION (continued)

<b>Fiscal Year</b>	<b>Fiscal Impact</b>
Fiscal Year 2022	(\$25,000,000)
Fiscal Year 2023	(\$27,500,000)
Fiscal Year 2024	(\$30,250,000)
Fiscal Year 2025	(\$33,275,000)
Fiscal Year 2026	(\$36,602,500)
Fiscal Year 2027	(\$40,262,750)
Fiscal Year 2028	(\$44,289,025)
Fiscal Year 2029	(\$48,717,928)
Fiscal Year 2030*	(\$50,000,000)

\*Oversight notes this proposed legislation allows the cumulative amount of tax credits to increase by ten percent (10%) each year, so long as the cumulative amount does not exceed \$50,000,000. Oversight notes a ten percent (10%) increase each year would equate an amount equal to \$48,717,928 in Fiscal Year 2029. A subsequent increase of ten percent (10%) for Fiscal Year 2030 would amount to \$53,948,692. For purposes of this fiscal note, Oversight will assume the tax credit may increase by the percent difference between \$48,717,928 to \$50,000,000 in Fiscal Year 2030 (2.6316236%).

**Oversight** notes a scholarship shall be granted to an eligible student in an amount not to exceed the state adequacy target (\$6,375). A scholarship shall be granted to a FRL/LEP student in an amount not to exceed the state adequacy target multiplied by one and twenty-five hundredths (1.25). A scholarship shall be granted to a special education eligible student in an amount not to exceed the state adequacy target multiplied by one and seventy-five hundredths (1.75).

**Oversight** estimates approximately 3,921 ( $\$25,000,000 / \$6,375$ ) non-special education students could receive scholarships in an amount not to exceed the state adequacy target of \$6,375. DESE has indicated that total state funds applied per student by regular term ADA is \$5,312.

**Oversight** assumes, if the state funding for 3,921 students is no longer required, as these students would be required to enroll/attend a private school that has elected to participate in this program or a public school outside the district of the student's residency that has elected to participate in this program, the state would recognize a savings of \$20,831,373 ( $(\$25,000,000 / \$6,375) * \$5,312$ ). The savings recognized from the state funding of the students in conjunction with the revenue reduction specific to the tax credit program (\$25 million) would result in a net reduction to GR and TSR equal to \$4,168,627 ( $\$25,000,000 - \$20,831,373$ ) provided all students are non-special education students.

ASSUMPTION (continued)

**Oversight** notes the net reduction to GR and TSR would increase each year as the amount of tax credits available increases by ten percent (10%). Oversight provides the estimated net reduction to GR and TSR for all fiscal years, using the same methodology above, until fully implemented in Fiscal Year 2030, provided all students are non-special education students:

Fiscal Year	Net Reduction to GR and TSR
Fiscal Year 2022	(\$4,168,627)
Fiscal Year 2023	(\$4,585,490)
Fiscal Year 2024	(\$5,044,039)
Fiscal Year 2025	(\$5,548,443)
Fiscal Year 2026	(\$6,103,287)
Fiscal Year 2027	(\$6,713,616)
Fiscal Year 2028	(\$7,384,978)
Fiscal Year 2029	(\$8,123,476)
Fiscal Year 2030	(\$8,337,255)

**Oversight** estimates approximately 3,137 ( $\$25,000,000 / (\$6,375 * 1.25)$ ) FRL/LEP students could receive scholarships in an amount not to exceed the state adequacy target of \$6,375 multiplied by one and twenty-five hundredths (1.25); \$7,969. DESE has indicated that total state funds applied per student by regular term ADA is \$5,312.

**Oversight** assumes, if the state funding for 3,137 students is no longer required, as these students would be required to enroll/attend a private school that has elected to participate in this program or a public school outside the district of the student's residency that has elected to participate in this program, the state would recognize a savings of \$16,665,098 ( $(\$25,000,000 / \$7,968.75) * \$5,312$ ). The savings recognized from the state funding of the students in conjunction with the revenue reduction specific to the tax credit program (\$25 million) would result in a net reduction to GR and TSR equal to \$8,334,902 ( $\$25,000,000 - \$16,665,098$ ) provided all students are FRL/LEP students.

**Oversight** notes the net reduction to GR and TSR would increase each year as the amount of tax credits available increases by ten percent (10%). Oversight provides the estimated net reduction to GR and TSR for all fiscal years, using the same methodology above, until fully implemented in Fiscal Year 2030, provided all students are FRL/LEP students:

ASSUMPTION (continued)

Fiscal Year	Net Reduction to GR and TSR
Fiscal Year 2022	(\$8,334,902)
Fiscal Year 2023	(\$9,168,392)
Fiscal Year 2024	(\$10,085,231)
Fiscal Year 2025	(\$11,093,755)
Fiscal Year 2026	(\$12,203,130)
Fiscal Year 2027	(\$13,423,443)
Fiscal Year 2028	(\$14,765,787)
Fiscal Year 2029	(\$16,242,366)
Fiscal Year 2030	(\$16,669,804)

**Oversight** estimates approximately 2,241 ( $\$25,000,000 / (\$6,375 * 1.75)$ ) special education students could receive scholarships equal to the state adequacy target of \$6,375 multiplied by one and seventy-five hundredths (1.75); \$11,156. DESE has indicated that the total state funds applied per student by regular term ADA is \$5,312.

**Oversight** assumes, if the state funding for 2,241 students is no longer required, as these students would be required to enroll/attend a private school that has elected to participate in this program or a public school outside the district of the student's residency that has elected to participate in this program, the state would recognize a savings of \$11,903,641 ( $(\$25,000,000 / \$11,156.25) * 5,312$ ). The savings recognized from the state funding of the students in conjunction with the revenue reduction specific to the tax credit program (\$25 million) would result in a net reduction of GR and TSR equal to \$13,096,359 ( $\$25,000,000 - \$11,903,641$ ) provided all students are special education students.

**Oversight** notes the net reduction to GR and TSR would increase each year as the amount of tax credits available increases by ten percent (10%). Oversight provides the estimated net reduction to GR and TSR for all fiscal years, using the same methodology above, until fully implemented in Fiscal Year 2030, provided all students are special education students:

Fiscal Year	Net Reduction to GR and TSR
Fiscal Year 2022	(\$13,096,359)
Fiscal Year 2023	(\$14,405,994)
Fiscal Year 2024	(\$15,846,594)
Fiscal Year 2025	(\$17,431,253)
Fiscal Year 2026	(\$19,174,379)
Fiscal Year 2027	(\$21,091,816)
Fiscal Year 2028	(\$23,200,998)
Fiscal Year 2029	(\$25,521,098)
Fiscal Year 2030	(\$26,192,717)

ASSUMPTION (continued)

**Oversight** notes the savings to the state for not funding the foundation formula for special education students could be more than \$5,312 per student, depending upon various circumstances. For fiscal note purposes, Oversight will use the \$5,312 WADA.

**Oversight** notes this proposed legislation would allow taxpayers to begin making contributions to the Fund beginning January 1, 2021 (Fiscal Year 2021). For purposes of this fiscal note, though, Oversight will report a \$0 fiscal impact to the fund during Fiscal Year 2021. Rather, Oversight will show the full amount of the tax credit cap equal to \$25,000,000 being deposited into the Show Me a Brighter Future Scholarship Fund in Fiscal Year 2022; six months into Tax Year 2021 (July 1, 2021), as a result of donations made to the Show Me a Brighter Future Scholarship Fund beginning January 1, 2021.

**Oversight** notes Section 135.732.4 states “The Department shall create a receipt to be issued to a taxpayer to indicate the value of a contribution received.” Oversight notes this proposed legislation does not specifically define the “Department.”

Officials from the **Neosho School District (Neosho)** state the first loss to Neosho would be Neosho’s portion of the \$25,000,000 made available for scholarships; \$125,000 (Neosho student population / state student population \* \$25,000,000). Neosho assumes, when fully implemented with \$50,000,000 available in scholarships, Neosho would experience a loss equal to \$250,000.

Furthermore, Neosho assumes, when students utilize the scholarship program and leave the Neosho district, Neosho would experience a loss equal to \$7,350 per student (\$6,350 Basic Formula + \$1,000 Prop C). Neosho assumes the minimum loss to their respective school district to be \$125,000. Neosho assumes there could be a potential loss (when using a 10% student loss rate) equal to \$3,557,500 when fully implemented (Neosho student population / state student population \* \$50,000,000) + ( 4,500 \* 10% \* (\$6,350 + \$1,000)).

Officials from the **Vienna School District (Vienna)** state, at minimum, this proposed legislation could cost Vienna an amount exceeding \$400,000. Vienna states, when taking into consideration the income qualifications put forth by this proposed legislation, 65-70 percent of Vienna’s student population would qualify.

Officials from the **Wellsville-Middletown School District (Wellsville-Middletown)** state this proposed legislation would have a negative fiscal impact on all state funded operations including Wellsville-Middletown.

ASSUMPTION (continued)

Officials from the **Shell Knob School District (Shell Knob)** will have a negative fiscal impact on Shell Knob.

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.

**Oversight** notes the **Missouri Department of Higher Education and Workforce Development** and the **Office of Administration** 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 fiscal impact in the fiscal note for these organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2030)
<b>GENERAL REVENUE FUND</b>				
<u>Revenue Reduction - Section 135.732 - Tax credit for donations made to Show Me a Brighter Future Scholarship Fund - P. 9</u>				
	\$0	(\$25,000,000)	(\$27,500,000)	(\$50,000,000)
<u>Savings/Cost Avoidance - (Section 135.734) - State Schools Money Fund transfers decreased due transfer of qualified students to private schools - P. 9, 10 &amp; 11</u>				
	\$0	\$0 to \$11,903,641 or \$0 to \$16,665,098 or \$0 to \$20,831,373	\$0 to \$13,094,006 or \$0 to \$18,331,608 or \$0 to \$22,914,510	\$0 to \$23,807,283 or \$0 to \$33,330,196 or \$0 to \$41,662,745
<u>Cost - STO - Section 135.732 - P. 7</u>				
Personal Services	(\$157,571)	(\$190,976)	(\$192,886)	(\$208,316)
Fringe Benefits	(\$90,729)	(\$109,503)	(\$110,137)	(\$113,922)
Equipment and Expense	(\$53,467)	(\$21,730)	(\$22,274)	(\$27,214)
Total Cost	<u>(\$301,767)</u>	<u>(\$322,209)</u>	<u>(\$325,297)</u>	<u>(\$349,452)</u>
FTE Change - STO	4 FTE	4 FTE	4 FTE	4 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>(\$301,767)</b></u>	<u><b>(\$25,322,209)</b></u>	<u><b>(\$4,910,787) to (\$9,493,689) to (\$14,731,291) to (\$27,825,297)</b></u>	<u><b>(\$8,686,707) to (\$17,019,256) to (\$26,542,169) to (\$50,349,452)</b></u>
Estimated Net FTE Change on General Revenue	4 FTE	4 FTE	4 FTE	4 FTE

**FISCAL IMPACT -**  
**State Government**  
 (continued)

FY 2021  
 (10 Mo.)

FY 2022

FY 2023

Fully  
 Implemented  
 (FY 2030)

**STATE SCHOOL  
 MONEYS FUND**

Cost Avoidance -  
 (Section 135.734) -  
 General Revenue  
 decreased ADA for  
 transfer of qualified  
 students - P. 9, 10 &  
 11

	\$0 to	\$0 to	\$0 to
	\$11,903,641 or	\$13,094,006 or	\$23,807,283 or
	\$0 to	\$0 to	\$0 to
	\$16,665,098 or	\$18,331,608 or	\$33,330,196 or
	\$0 to	\$0 to	\$0 to
\$0	\$20,831,373	\$22,914,510	\$41,662,745

Loss - (Section  
 135.734) - Schools  
 decreased ADA for  
 transfer of qualified  
 students - P. 9, 10 &  
 11

	\$0 to	\$0 to	\$0 to
	(\$11,903,641) or	(\$13,094,006) or	(\$23,807,283) or
	\$0 to	\$0 to	\$0 to
	(\$16,665,098) or	(\$18,331,608) or	(\$33,330,196) or
	\$0 to	\$0 to	\$0 to
\$0	(\$20,831,373)	(\$22,914,510)	(\$41,662,745)

**ESTIMATED NET  
 EFFECT ON  
 STATE SCHOOLS  
 MONEY FUND**

**\$0**                      **\$0**                      **\$0**                      **\$0**

**SHOW ME A  
 BRIGHTER  
 FUTURE  
 SCHOLARSHIP**

Income - Donations  
 from taxpayers

\$0            \$25,000,000            \$27,500,000            \$50,000,000

Costs - Scholarships

\$0            (\$25,000,000)            (\$27,500,000)            (\$50,000,000)

**ESTIMATED NET  
 EFFECT TO THE  
 SHOW ME A  
 BRIGHTER  
 FUTURE  
 SCHOLARSHIP**

**\$0**                      **\$0**                      **\$0**                      **\$0**

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2030)
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**LOCAL PUBLIC  
 SCHOOL  
 DISTRICTS**

<u>Savings</u> - School Districts - Transfer of qualified students out of the school district (Section 135.734)	\$0	Unknown	Unknown	Unknown
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<u>Loss</u> - of state funding Schools decreased ADA for transferred students - P. 9, 10 & 11	\$0	\$0 to (\$11,903,641) or \$0 to (\$16,665,098) or \$0 to (\$20,831,373)	\$0 to (\$13,094,006) or \$0 to (\$18,331,608) or \$0 to (\$22,914,510)	\$0 to (\$23,807,283) or \$0 to (\$33,330,196) or \$0 to (\$41,662,745)
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**ESTIMATED NET  
 EFFECT ON  
 LOCAL PUBLIC  
 SCHOOL  
 DISTRICT FUNDS**

<b>\$0</b>	<b><u>Less than</u></b> <b><u>(\$20,831,373)</u></b>	<b><u>Less than</u></b> <b><u>(\$22,914,510)</u></b>	<b><u>Less than</u></b> <b><u>(\$41,662,745)</u></b>
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FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that makes a donation to the Show Me a Brighter Future Scholarship Fund as they could receive a tax credit to reduce the state income tax (Section 135.732).



## FISCAL DESCRIPTION

For all fiscal years beginning on July 1, 2021, any taxpayer who makes a qualifying contribution to the "Show Me a Brighter Future Scholarship Fund" created in the bill may claim a tax credit equal to 100% of the total contribution. The amount of the tax credit claimed by an individual taxpayer or a married couple filing jointly shall not exceed 50% of the taxpayer's state tax liability for the year in which the credit is claimed, nor shall a corporate taxpayer claim a tax credit in excess of 50% of such taxpayer's state tax liability for the year. The State Treasurer shall certify the tax credit amount to the taxpayer. Such credit may be carried forward to any of the taxpayer's three subsequent tax years. No tax credits authorized under the program shall be transferred, sold, or assigned, and are not refundable.

The cumulative amount of tax credits that may be allocated to all taxpayers contributing to the scholarship fund in the first year of the program shall not exceed \$25 million. If the amount of the tax credits claimed in the first tax year exceeds 90% of the tax credits available, the amount of tax credits available shall increase by 10% in subsequent years, not to exceed \$50 million. Tax credits shall be allocated by the State Treasurer on a first come, first served basis.

A taxpayer who makes a contribution to the scholarship fund shall not designate the student who will receive a scholarship grant. The State Treasurer shall adopt rules and procedures necessary to implement the provisions of this bill, including rules setting forth the order of preference for scholarship awards, reporting requirements, responsibilities of a parent of an eligible student, and responsibilities of an eligible student's district of residence. Scholarship grants shall be provided to eligible students with a qualified tuition savings account. This bill specifies that, an eligible student is any student who is a member of a household whose total annual income does not exceed an amount equal to two times the income standard used to qualify for free and reduced price lunch, who has attended a public school in the preceding semester or is starting school in the state for the first time, or who is starting school in Missouri for the first time and is a sibling of a student already enrolled in the program. The amount of scholarship grants awarded to eligible students shall be in an amount not to exceed to the state adequacy target, and the amount of scholarship grants awarded to a special education eligible student shall be in an amount not to exceed the state adequacy target multiplied by 1.75 and the amount of scholarship grants awarded to a student who qualifies for free or reduced price lunch or a limited English proficiency student shall be in an amount that shall not exceed the state adequacy target multiplied by 1.25.

The State Treasurer may bar a parent from future participation in the program if the State Treasurer establishes that the parent has intentionally spent scholarship grant funds for a purpose other than that allowed under the bill or by rule.


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 Department of Elementary and Secondary Education  
Missouri State Treasurer's Office  
Missouri Department of Revenue  
Joint Committee on Administrative Rules  
Missouri Secretary of State's Office  
Office of Administration  
Missouri Department of Higher Education and Workforce Development  
Neosho School District  
Vienna School District  
Wellsville-Middletown School District  
Shell Knob School District



Julie Morff  
Director  
March 4, 2020



Ross Strobe  
Assistant Director  
March 4, 2020