

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1473-01
Bill No.: SB 268
Subject: Education, Higher; Higher Education Department; Economic Development Department
Type: Original
Date: February 2, 2015

Bill Summary: This proposal modifies the Science, Technology, Engineering, and Mathematics Fund and Creates the Economic-Education Partnership Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 to (\$50,000)	\$0 to (\$50,000)	\$0 to (\$50,000)
Total Estimated Net Effect on General Revenue	\$0 to (\$50,000)	\$0 to (\$50,000)	\$0 to (\$50,000)

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Science, Technology, Engineering, and Mathematics*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

***Transfers In and expenses net to zero**

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Higher Education (DHE)** assume DHE would be in charge of reviewing applications to have individuals' tax liability removed from General Revenue and placed in the Science, Technology, Engineering, and Mathematics Fund (§173.670.6 and §620.3030.3). This would require the promulgation of rules to determine how an applicant would be selected, which could be handled with existing staff, and the addition of 2/3 FTE to handle the continuous influx of applications for the two new programs.

Oversight assumes the Department of Higher Education could absorb the work of this proposal with existing resources.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal provides a process whereby a qualifying taxpayer that hires a qualifying intern may apply to the Department of Higher Education to have up to \$5,000 of their tax liability removed from the General Revenue Fund and placed in the Science, Technology, Engineering and Mathematics Fund, which may subsequently be appropriated to a higher education institution. The annual limit on funds that may be moved from the General Revenue Fund under this proposal is \$50,000. This proposal will have no direct impact on Total State Revenues; but, to the extent appropriations are made to the new fund, this could reduce resources otherwise for other appropriations.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the creation of the "Missouri Science, Technology, Engineering and Mathematics Initiative" tax credit is possible. 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 assumes 56 hours of programming at \$75 to the Premium Tax Tax Credit system for a total of \$4,212.

Oversight assumes DIFP will require minimal contract computer programming and can do so under existing appropriation. However, should multiple bills pass that would require additional updates, DIFP may need to request more expense and equipment appropriation through the budget process.

ASSUMPTION (continued)

Officials at the **Department of Economic Development (DED)** assumes §173.670 allows any taxpayer who hires a student intern majoring in science, technology, engineering, or mathematics to elect to reserve up to \$5,000 of the taxpayer's state tax liability and the reserve will be placed in the Science, Technology, Engineering and Mathematics Fund. The cumulative amount that can be transferred into the fund is \$50,000.

§620.3030 creates the Economic-Education partnership act which also allows any taxpayer who hires a student intern majoring in science, technology, engineering, or mathematics as an intern to elect to reserve up to \$5,000 of the taxpayer's state tax liability and the reserve will be placed in the Science, Technology, Engineering and Mathematics Fund. The cumulative amount that can be transferred into the fund is \$50,000.

DED is responsible for auditing the employers who participate in the program and DED requests 1 FTE, an Economic Development Specialist II, to help create rules, review applications, and perform audits.

Due to the minimal number of employers who would participate in this program, **Oversight** assumes DED could absorb this cost with existing resources.

In response to similar legislation from this year (HB 520), officials from the **Office of the Secretary of State (SOS)** stated 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.

Officials at the **Joint Committee on Administrative Rules**, the **Office of the State Treasurer**, and the **Department of Revenue** each assume no fiscal impact from this proposal to their respective organizations.

ASSUMPTION (continued)

Oversight assumes this proposal allows for the transfer out of General Revenue and into the Science, Technology, Engineering and Mathematics Fund of a taxpayers' tax liability if they hire an intern. Oversight will reflect the loss to General Revenue of \$0 (no money is transferred) to \$50,000 the annual limit allowed under these programs. Oversight assumes all money received in the STEM fund will be spent according to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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GENERAL REVENUE

<u>Transfer Out</u> - to STEM fund - taxpayer tax liability transferred for hiring an intern or providing educational benefits §§173.670 & 620.3030	\$0 to (\$50,000)	\$0 to (\$50,000)	\$0 to (\$50,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
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SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS

<u>Transfer In</u> - from General Revenue - taxpayers' tax liability for hiring an intern	\$0 to \$50,000	\$0 to \$50,000	\$0 to \$50,000
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<u>Cost</u> - matching funds for higher education institution programs	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
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ESTIMATED NET EFFECT ON SCIENCE, TECHNOLOGY, ENGINEERING & MATHEMATICS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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 - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies the Science, Technology, Engineering and Mathematics Fund.

MISSOURI SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS INITIATIVE: Any taxpayer who hires a student majoring in a field of study related to science, technology, engineering, or mathematics to fill an internship position may apply to have up to five thousand dollars of the taxpayer's state tax liability removed from the general revenue fund and placed in the Science, Technology, Engineering and Mathematics Fund. The student must be enrolled at a two-year or four-year public or private Missouri college or university. The internship position must be in a field of study related to science, technology, engineering, or mathematics. In addition, the internship must be located in Missouri and be for a duration of at least twelve weeks and consist of at least fifteen hours of work per week. The Department of Higher Education must establish a procedure for approving applications.

The cumulative amount of taxes transferred to the Science, Technology, Engineering and Mathematics Fund through the Missouri STEM Initiative and through the Economic-Education Partnership Act cannot exceed fifty thousand dollars annually from all participating taxpayers. Any donations to the fund from third parties will not count toward the fifty thousand dollar limit. (§173.670)

ECONOMIC-EDUCATION PARTNERSHIP ACT: This act creates the Economic-Education Partnership Act. An employer that provides educational benefits or trains a qualified individual for an employment position, may apply to have up to five thousand dollars of the taxpayer's state tax liability transferred from the general revenue fund and placed in the Science, Technology, Engineering and Mathematics Fund. Training must be in the health care, engineering, or information technology fields for no more than one year. Educational benefits are defined as funds provided by an employer to a qualified individual or an accredited educational institution for a period of five years to pay tuition or fees for the pursuit of a higher education degree in a field of study related to health care, engineering, or information technology related programs.

The cumulative amount of taxes transferred to the Science, Technology, Engineering and

FISCAL DESCRIPTION (continued)

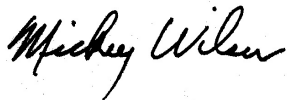
Mathematics Fund through the Missouri STEM Initiative and through the Economic-Education Partnership Act cannot exceed fifty thousand dollars annually from all participating taxpayers. Any donations to the fund from third parties will not count toward the fifty thousand dollar limit.

The Department of Economic Development may audit employers to ensure compliance.

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's Division of Budget and Planning
Department of Higher Education
Department of Revenue
Office of the State Treasurer
Office of the Secretary of State
Joint Committee on Administrative Rules



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Director
February 2, 2015

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February 2, 2015