COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0849S.03P
Bill No.: Perfected SS for SCS for SB 152
Subject: Children And Minors; Education, Elementary And Secondary; Education, Higher; Elementary And Secondary Education, Department Of; Higher Education And Workforce Development, Department Of; Tax Credits; Tax Incentives; Taxation And Revenue - General; Teachers
Type: Original
Date: March 3, 2021

Bill Summary: This proposal modifies provisions related to education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue	($1,934,653) to could exceed ($7,585,449)	($4,148,683) to could exceed ($22,341,989)	($4,311,929) to could exceed ($22,695,285)	($1,081,927) to could exceed ($5,856,916)
Total Estimated Net Effect on General Revenue	**($1,934,653) to could exceed ($7,585,449)**	**($4,148,683) to could exceed ($22,341,989)**	**($4,311,929) to could exceed ($22,695,285)**	**($1,081,927) to could exceed ($5,856,916)**

*The actual impact of the changes to the MOST program is dependent upon utilization. If a percentage of participants utilize the expansion (to include repayment of student loan debt) similar to those currently using the MOST program to fund K-12 and higher education, the lower estimates should be used. If utilization percentage is similar to those claiming student loan interest deduction on their tax returns, the larger estimates should be used. If a larger population of those with student loan debt utilize the program, Oversight used "could exceed".

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Competency Based Education	$0	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue	0	Up to 2 FTE	Up to 2 FTE	0
Total Estimated Net Effect on FTE	**0**	**Up to 2 FTE**	**Up to 2 FTE**	**0**

☒ 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 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Local Government	**$0 to could exceed <u>($6,888,675)</u>**	**$0 to could exceed <u>($6,888,675)</u>**	**$0 or (Unknown, Could exceed <u>$6,888,675)</u>**	**$0 to could exceed <u>($6,888,675)</u>**

<u>FISCAL ANALYSIS</u>

ASSUMPTION

Section 160.560 – Show me Success Diploma Program – (Senate Amendment No. 4)

In response to a similar proposal SB 34 (2021), officials from the **Department of Elementary and Secondary Education (DESE)** stated section 160.560.8 would be no cost to DESE but DESE believes there would be a cost to school districts and vendors to modify their programs to be able to track and report attendance on these students.

Oversight notes this section establishes the "Show Me Success Diploma Program" within the Missouri Department of Elementary and Secondary Education.

The Missouri Department of Elementary and Secondary Education shall develop the "Show Me Success Diploma" as an alternative pathway to graduation for high school students that may be earned at any point between the end of a student's tenth grade year and the conclusion of the student's twelfth grade year.

Oversight notes, per the DESE Graduation Requirements Handbook, for students attending an alternate graduation program, this may have a potential impact on state aid for the school districts offering the program if the student is not counted for purposes of state aid.

Oversight assumes students currently attending an alternative graduation program could potentially be counted for purposes of state aid that otherwise may not have been. However, per DESE, there are **no** students currently participating in an alternative graduation program.

Oversight assumes if students would have otherwise attended a public school through 12th grade but instead transition into this program, Oversight assumes there would be no impact to the foundation formula as the student would have been claimed for state aid for the same length of time.

In response to a similar proposal SB 34 (2021), officials from the **Office of the State Treasurer (STO)** state they are estimating anywhere from no fiscal impact up to two FTEs. The overall impact to the State Treasurer's Office will depend on negotiation with the state's 529 program manager to implement these provisions. The STO assumed a possible need for two (2) FTE Analysts, each at $39,708 annually plus fringe benefits and other expense and equipment.

Oversight notes that subsection 160.560.8 states the Office of the State Treasurer shall provide guidance and assist with the creation, maintenance, and use of an account that has been established under sections 166.400 to 166.455 (MOST program).

Oversight will range the fiscal impact "Up to" the 2 FTE estimated by the STO starting in FY 2023 depending upon the activity and complexity of these additional accounts.

In response to a similar proposal SB 34 (2021), officials from the **Missouri House of Representatives** assume no fiscal impact – any reasonable expense of a member serving on the task force will be absorbed.

In response to a similar proposal SB 34 (2021), officials from the **Missouri Senate** state they anticipate a negative fiscal impact to reimburse 2 Senators for travel to Task Force meetings. It will cost approximately $190 per meeting if meetings are held in Jefferson City during the interim.

In response to a similar proposal SB 34 (2021), officials from the **Office of the Governor** assume the proposal will not fiscally impact their office.

In response to a similar proposal SB 34 (2021), officials from the **High Point R-III School District** assume the proposal would not fiscally impact their school.

Oversight assumes there would be a cost to school districts that deposit state, federal and local funds into a 529 account for the student participating in the program.

Oversight is unable to determine how many students will participate in the Show Me Success Diploma Program and is therefore unable to accurately determine the fiscal impact of this section on local school districts or charter schools.

For purposes of this fiscal note, **Oversight** will report a cost to local jurisdictions equal to "Unknown but could be significant" beginning in Fiscal Year 2024 (one year after the date in which the Missouri Department of Elementary and Secondary Education is required to have detailed requirements for eligibility developed – assuming that several individuals would have earned a Show Me Success Diploma in the first year of implementation).

Oversight notes Senate Amendment No. 2 to Senate Amendment No. 4 states that this section shall expire on August 28, 2028. Therefore, Oversight will not report the aforementioned impact in the fully implemented year reported in this fiscal note.

<u>Section 161.229 – Missouri Department of Elementary and Secondary Publications</u> – (Senate Amendment No. 6)

Officials from **DESE** state this section would require DESE to maintain duplicative information regarding administrative rules that is already contained on the Secretary of State's website. DESE believes there will be a cost to this provision that should not exceed $100,000.

For purposes of this fiscal note, **Oversight** assumes both the Missouri State Auditor and Department of Elementary and Secondary Education can absorb the responsibilities set forth under this section with existing resources.

Section(s) 161.380, 161.385 & 162.1255 – Competency Based Education– (Senate Amendment No. 4)

In response to a similar proposal, SB 33 (2021), officials from **Department of Elementary and Secondary Education (DESE)** state the proposal has the following impact:

Section 161.380, 161.385 & 162.1255
These provisions require DESE to facilitate the creation, sharing, and development of assessments and curriculum and training for teachers, and best practices for the school districts that offer competency-based education courses. Costs for development of competency-based assessments will vary depending upon the number of courses/content domains necessary. The department estimates $1,000,000 costs* for each course/content domain. The department has projected these costs across two fiscal years along with $25,000 annually for the Competency Task Force support until the work is complete.

*This includes: $100,000 for test specifications/blueprint review, $50,000 for passage review, $100,000 for item writing, $100,000 for item review, $100,000 for forms creation, $300,000 for field testing, and $300,000 for establishing mastery standards.

Section 162.1255.2
DESE projects Section 162.1255.2 may have additional costs to school districts/charter schools and to the vendors they used to determine and report the appropriate attendance hours to DESE.

Oversight does not have any information to the contrary, so will reflect DESE's amounts with the footnote that the $1,000,000 cost is PER COURSE/CONTENT DOMAIN.

Oversight assumes this proposal creates the Competency-Based Education Grant Fund which shall consist of appropriations, gifts, contributions, grants or bequests for the purpose of providing grants to school districts for competency based education programs. Oversight is unable to determine the amount of revenue that will be deposited into the Fund. For purposes of this fiscal note, Oversight will report an amount "Transferred In" equal to Unknown and an amount "Transferred Out" equal to Unknown. Therefore, Oversight assumes the Fund will net zero ($0).

Oversight notes Section 161.380 does not provide an effective date. Therefore, Oversight assumes the provisions of Section 161.380 will become effective August 28, 2021 (Fiscal Year 2022).

Oversight notes Senate Amendment No. 2 to Senate Amendment No. 4 states that this section shall expire on August 28, 2028. Therefore, Oversight will not report the aforementioned impact in the fully implemented year reported in this fiscal note.

In response to a similar proposal, SB 33 (2021), officials from the **Department of Social Services**, the **Office of the State Treasurer**, the **Missouri House of Representatives** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

Officials from the agencies listed above each assume the proposal will have no 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 agencies.

In response to a similar proposal, SB 33 (2021), officials from the **Missouri Senate** state they anticipate a negative fiscal impact to reimburse 2 Senators for travel to Task Force meetings. It will cost approximately $190 per meeting if meetings are held in Jefferson City during the interim.

Oversight assumes the General Assembly could absorb the cost of the Task Force meetings within the current appropriation levels and will not reflect a fiscal impact.

Oversight notes Section 162.1255 states school districts and charter schools shall receive state school funding under Section(s) 163.031, 163.043, 163.044, and 163.087 for resident pupils enrolled in the school district or charter school and taking competency-based courses offered by the school district.

Oversight notes, per the DESE Graduation Requirements Handbook, for students earning competency based credit, this may have a potential impact on state aid for the school districts offering the program if the student is not counted for purposes of state aid. However, per DESE, there are no students currently participating in a competency-based education program.

Oversight assumes if students would have otherwise attended a public school through 12th grade but instead transition into this program, Oversight assumes there would be no impact to the foundation formula as the student would have already been claimed for state aid purposes.

Oversight notes Senate Amendment No. 2 to Senate Amendment No. 4 states that this section shall expire on August 28, 2028. Therefore, Oversight will not report the aforementioned impact in the fully implemented year reported in this fiscal note.

Section 162.441 – Seven-Director Districts – Annexation – (Senate Substitute for Senate Amendment No. 3)

Oversight notes this section is modified so that the question put forth to the voters of the school district shall be approved by the County Commission in which the school district is located. Furthermore, this section is modified so that the question put forth to the voters shall include the tax rate and assessed valuation of the school district prior to and after approval of the question.

Oversight does not anticipate a fiscal impact as result of this provision.

Section 162.720 – Gifted Children

In response to a similar proposal, SB 151 (2021), officials from the **Department of Elementary and Secondary Education** assumed the proposal would not fiscally impact their agency.

In response to a similar proposal, SB 151 (2021), officials from the **Fordland School District** stated this would require additional funding to establish a gifted program.

In response to a similar proposal, SB 151 (2021), officials from the **High Point R-III School District** assumed the proposal would not fiscally impact their schools.

Oversight notes this section would require, for all school years beginning on or after July 1, 2023, if three percent (3%) or more of students enrolled in a school district are determined to be gifted, and such students development require programs or services beyond the level of those ordinarily provided in regular public school programs, the district shall establish a state-approved gifted program for gifted children.

Oversight notes, Senate Amendment No. 2 provided that, **in addition to** public school districts, should three percent (3%) or more of students enrolled in the **charter school district** be determined to be gifted and their development requires programs or services beyond the level of those ordinarily provided in regular public school programs, that the charter school district establish a state-approved gifted program for the gifted children.

Oversight notes, per information from the Missouri Department of Elementary and Secondary Education's 2019 Gifted Advisory Council (GAC) Biennial Report, 239 out of 528 Missouri school districts offered gifted programs in 2018, spending $42,968,610 for these programs. **Oversight** notes that charter schools are included in the 239 Missouri school districts that offered gifted programs in 2018.

The Missouri Department of Elementary and Secondary Education provided there were 37,475 identified students in Missouri, and that 5,199 identified students were unserved. However, the GAC report and statistics from the National Center for Education Statistics suggest there are likely more unidentified unserved gifted students in Missouri.

Oversight estimates gifted spending is approximately $1,325 per gifted student ($42,968,610 / 32,276 [37,475 – 5,199]). If there are 5,199 unserved identified gifted students costing $1,325 to educate, Oversight estimates an additional $6,888,675 would be required to provide gifted education to every unserved identified gifted student.

Oversight notes that the GAC reports show that districts with gifted programs identify gifted students at higher rates than districts without gifted programs. Oversight does not have sufficient data to accurately estimate the specific number of unidentified unserved gifted students, but will create an instructive estimate based on national statistics.

Oversight notes, in 2014, The National Center for Education Statistics (NCES) found states identified 6.7% of their public school students as gifted; 6.7% of Missouri's 883,703 students is 59,208 gifted students.

To match the NCES identified gifted student population average, Missouri would need to identify 11,335 ((.067 x 883,703) - 5,199 identified gifted students) more students as gifted. Furthermore, to provide gifted services to every currently identified and unidentified gifted student would cost $21,907,684 ((11,335 estimated unidentified gifted students + 5,199 identified gifted students) x $1,325 cost per student).

Alternately, **Oversight** will estimate the cost of each district establishing a gifted program. If the 289 (528 – 239) districts without a gifted program each hired one teacher with an annual salary of $50,000, this section would have a net direct fiscal impact to local jurisdictions equal to $14,450,000.

Lastly, the Missouri Department of Elementary and Secondary Education recommends a maximum of 90 gifted students per full time teacher, which is a $6,000,000 direct fiscal impact for 120 teachers, but is likely low because that would likely require some districts to share a teacher.

Oversight notes the provision(s) of this section would not become effective until July 1, 2023 (Fiscal Year 2024).

Section 166.400 – Missouri Education Savings Program

Oversight notes this section changes the name of the Missouri Education Savings Program to the Missouri Education Program.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation renames the "Missouri Education Savings Program" to the "Missouri Education Program."

B&P assumes this proposed legislation may reduce General Revenue (GR) and Total State Revenue (TSR) between $13,592,420 and $16,248,600 in Fiscal Year 2022, between $40,022,126 and $48,745,800 in Fiscal Year 2023, and between $39,266,992 and $48,745,800 in Fiscal Year 2024.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation changes the name of the Missouri Education Savings Program to the Missouri Education Program.

Section 166.410 – Missouri Education Savings Program - Definitions

Officials from **B&P** state this proposed legislation changes the definition of "eligible education institution" from those specified in Sections 529(e)(5), 529(c)(7), and 529(e)(3) to all references in Section 529. B&P notes that this would allow individuals to use the savings account program for student loan repayment.

Based on research, B&P determined that the average student loan in Missouri was between $29,613 and $35,400. Assuming individuals use a 10-year repayment plan the average annual repayment amount would be between $2,961.30 and $3,540. In Tax Year 2018, the most recent complete tax year data available, there were 255,000 tax filers that claimed the federal tax deduction for student loan interest. Therefore, B&P estimates that approximately $755,134,461 to $902,700,000 in deductions could be claimed under this provision.

However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014).

	Current Law	Future Top Tax Rates		
Tax Rate	5.4%	5.3%	5.2%	5.1%
GR Loss - Low	($40,777,261)	($40,022,126)	($39,266,992)	($38,511,858)
GR Loss - High	($48,745,800)	($47,843,100)	($46,940,400)	($46,037,700)

B&P notes that this provision would take effect August 28, 2021; allowing individuals to use the savings account plan for four (4) months of Tax Year 2021. Therefore, B&P estimates that this proposed legislation will reduce TSR and GR by $13,592,420 to $16,248,600 in Fiscal Year 2022. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by $38,511,858 to $46,037,700 annually.

Oversight notes B&P has estimated the impact(s) of individuals first contributing/depositing their (re)payment of student loan principle or interest into a 529 savings account, permitting them to recognize tax savings.

Oversight notes B&P's analysis suggests individuals will be on a ten (10) year repayment plan. Oversight assumes a ten (10) year repayment plan is the default repayment plan. However, after conducting independent research, Oversight assumes the average term of repayment of student loan(s) totals anywhere between twenty (20) and twenty-five (25) years (Oversight estimate).

Furthermore, **Oversight** notes individuals would **not** be able to deduct the total average student loan amount on their Missouri taxes. This proposed legislation caps the amount that is permitted to be (re)payed through a student's 529 savings account at $10,000.

Thus, Oversight anticipates the impact(s) of this section will increase for several years post implementation, and then decrease and flatten out afterwards.

Officials from the **Missouri State Treasurer's Office (STO)** state this section expands the MOST 529 Education Plan Program to allow for the repayment of student loans up to $10,000 per beneficiary.

STO anticipates this section will reduce state revenues by:

- $1,409,653 in Fiscal Year 2022
- $3,623,683 in Fiscal Year 2023
- $4,286,929 in Fiscal Year 2024
- $4,346,834 in Fiscal Year 2025 and Fiscal Year 2026
- $2,895,764 in Fiscal Year 2027
- $1,444,695 in Fiscal Year 2028
- $1,081,927 in Fiscal Year 2029 and each year thereafter.

Oversight assumes STO anticipates a 4.13% participation rate among individuals who will (re)pay their student loans through MOST 529 Education Savings accounts.

Oversight has estimated a **<u>maximum</u>** participation rate equal to 31.64%. Oversight notes the participation rate of 31.64% is among individuals who currently owe student loan debt and is **not** a participation rate based on the population of Missouri.

Oversight notes 31.64% is equal to the number of Missouri taxpayers that claimed the student loan interest deduction for Tax Year 2018 (255,000) divided by the number of individuals who currently have student loan debt (806,000).

Oversight assumes such individuals may seek tax benefits/savings that are available while adhering to their student loan obligations/terms and would continue to seek such benefits/savings as federal and state laws and programs are modified.

Oversight notes STO estimates the annual (re)payment per student to be $4,464. This is the result of STO's estimated monthly (re)payment of $372 multiplied by 12. Therefore, Oversight assumes STO anticipates taxpayers will receive full benefit within 2.25 years ($10,000 / $4,464).

Oversight calculated an average monthly (re)payment amount of $128 and an annual (re)payment amount of $1,536 ($10,000 / $1,536). Therefore, Oversight estimates that taxpayers with student loan debt would experience tax savings for a total of seven (7) tax years as a result of the $10,000 cap placed on the total amount permitted to be contributed/deposited into MOST 529 Education Savings accounts and used for such (re)payment ($10,000 / $1,536).

Oversight notes, the larger the monthly payment used to calculate an annual repayment, the faster an individual will reach maximum benefit under this proposed legislation.

Oversight assumes STO's analysis suggests full participation in the program would not occur until the fifth (5^{th}) year post implementation.

Oversight **did not** use a ramp up period (time until full participation is recognized) when estimating the fiscal impact of this proposed legislation.

For purposes of this fiscal note, **Oversight** will range the revenue reduction to GR beginning with STO's estimates to an amount that "could exceed" the impacts estimated by Oversight (as stated below), depending upon utilization of these changes.

Officials from **DOR** state this proposed legislation would remove the language "529(e)(3)" and replace it with "529" of the Internal Revenue Code. Section 529 of the Internal Revenue Code allows for the repayment of principal and interest on student loans as an allowable expense. Therefore, a taxpayer would be allowed to run their student loan payment through their Missouri Education Savings Program Account (MOST account) and do it tax free.

Oversight notes the language changes mentioned by DOR occur within the definition of "Qualified Higher Education Expenses or Qualified Education Expenses".

DOR states, based on information from the Institute for College Access and Success, the average student loan debt in Missouri is $27,108. Assuming an annual tax rate of 5.3%, and based on the number of Missouri filers who claim the student loan interest deduction (255,000) this would result in over $36,490,500 loss to GR annually.
$27,000 student loan amount = $225 per month payment
X 5.3% tax rate
$11.925 monthly tax loss
X12 months
$143.10 total tax loss per person per year
X 255,000
$36,490,500 loss to state

DOR notes this proposal would become effective August 28, 2021 and therefore only four (4) months of payments would be claimed in Fiscal Year 2022. The first full year of loss would occur in Fiscal Year 2023.

DOR assumes the following loss to GR:

Fiscal Year 2022	($12,163,500)
Fiscal Year 2023	($36,490,500)
Fiscal Year 2024	($36,490,500)

Oversight notes DOR's analysis suggests individuals will be on a ten (10) year repayment plan. Oversight assumes a ten (10) year repayment plan is the default repayment plan. However, after conducting independent research, Oversight assumes the average term of repayment of student loan(s) totals anywhere between twenty (20) and twenty-five (25) years.

Oversight notes this section modifies the definition of "Eligible Educational Institution"

The current definition is "an institution of post-secondary education as defined in Section 529 (e)(5) of the Internal Revenue Code, and institutions of elementary and secondary education as provide din Section 529 (c)(7) and 529 (e)(3) of the Internal Revenue Code".

This section modifies the definition to define an "Eligible Educational Institution" as "an eligible education institution as defined in Section 529 of the Internal Revenue Code".

Oversight notes this section modifies the definition of "Qualified Higher Education Expenses or Qualified Education Expenses".

The current definition is "the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 (e)(3) of the Internal Revenue Code.

This section modifies the definition to define "Qualified Higher Education Expenses" or "Qualified Education Expenses" as "the qualified costs of tuition and fees and other expenses for attendance at an eligible educational institution, as defined in Section 529 of the Internal Revenue Code.

Oversight assumes this section would allow individuals to first deposit/contribute the amount(s) of principal and/or interest applicable for qualified education loan (re)payment into established Missouri Educational Savings accounts (MOST accounts/529 accounts) prior to actual (re)payment of such loan. Such repayment would then be paid with the funds initially deposited/contributed into the participating individual's MOST account.

Oversight assumes this would permit such individuals to recognize Missouri tax savings while completing the obligations/terms of their qualified educational loan(s).

Per Section 166.435, amount(s) deposited/contributed to MOST accounts may be subtracted from the individual's Federal Adjusted Gross Income to determine the individual's Missouri Adjusted Gross Income. The maximum annual amount that may be subtracted cannot exceed $8,000 per taxpayer.

Oversight notes pre-tax subtractions from income do not reduce revenue(s) on a dollar-for-dollar basis. The estimated amount of deduction must be multiplied by the applicable tax rate to estimate the impact to state revenue(s).

Oversight assumes this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight assumes Fiscal Year 2022 would be impacted by this section for four (4) months.

According to the Federal Student Aid – U.S. Department of Education, as of March 31, 2020, students and past students of Missouri have an outstanding balance of federal student aid debt equal to $28,380,000,000. Additionally, there are approximately 806,000 borrows. Oversight assumes, then, the average amount per borrower is $35,211 ($28,380,000,000 / 806,000).

Oversight calculated the estimated number of years it takes one of the 806,000 individuals that have an outstanding balance of federal student aid debt to repay the amount in full; Oversight estimates a (re)payment term of approximately 22.89 years. Therefore, Oversight estimates $1,239,808,754 in federal student aid debt is paid annually by Missouri's federal student aid debtors ($28,380,000,000 / 22.89). Having calculated the estimated amount of federal student aid debt that is repaid annually by all Missouri federal student aid debtors,

Oversight estimates approximately $1,538 is paid annually by **each** debtor ($1,239,808,754 / 806,000), or $128 each month ($1,538 / 12). This would allow these students to experience tax benefits/savings as a result of this proposed legislation for an estimated 7 years ($10,000 / $1,538). Using these statistics in conjunction with Oversight's estimated participation rate (31.64%), Oversight calculated the estimated reduction to GR from existing federal student aid debtors.

Furthermore, per the National Student Clearinghouse Research Center, each year in Missouri, there are approximately 44,573 first time college graduates and 13,370 college graduates earning additional awards each for a total of 58,123 graduates. Per the Institute for College Access and Success, approximately 58% of the students who graduate from a four year (or above) institution had outstanding federal loan debt. Therefore, Oversight estimates 33,711 new students graduate each year with debt (44,573 + 13,370) * 58%). Using the statistics provided in the previous paragraph, Oversight calculated the estimated reduction to GR from the newest graduates each year and added them to the estimated reduction to GR from existing federal student aid debtors. Oversight notes that, with new graduates included in the analysis each year, the reduction to GR will increase for seven (7) years until the existing federal student aid debtors reach their maximum benefit and no longer participate in this program.

Upon completing the analysis, Oversight assumes this section would reduce GR by the following amount(s):

Fiscal Year	Cost
2022	$ 7,060,449
2023	$ 21,658,615
2024	$ 22,528,129

2025	$	23,397,644
2026	$	24,267,158
2027	$	25,136,672
2028	$	26,006,186
2029	$	5,856,916
2030	$	5,856,916

For purposes of this fiscal note, since B&P and DOR used what appears to be a term of repayment (10 years) less than what many sources suggest (20-25 years), and since STO's impacts are calculated using a participation rate based on current experience, Oversight will range the revenue reduction to GR beginning with STO's estimates to an amount that "could exceed" the impacts estimated by Oversight, depending upon utilization of these changes.

Section 167.625 – Will's Law – (Senate Amendment No. 7)

In response to a similar proposal, SB 187 (2021), officials from the **Department of Elementary and Secondary Education** and the **Department of Social Services** each assumed the proposal would not fiscally impact their respective agencies.

Officials from the above listed agencies each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary.

In response to a similar proposal, SB 187 (2021), officials from the **High Point R-III School District** assumed the proposal would not fiscally impact their district.

In response to a similar proposal, SB 187 (2021), officials from **Fordland R-III School District** stated this would require an additional position to administer.

Oversight will reflect a potential cost to school districts for additional staff training and administration of the requirements established in the bill.

In response to a similar proposal, officials from the **Missouri Department of Health and Senior Services** did not anticipate a fiscal impact as a result of this section. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact as it relates to this section.

Section 174.453 – Board of Governors – (Senate Amendment No. 1)

Oversight notes this section modifies the Board of Governors for Missouri Western State University.

In response to similar legislation, SB 219 (2021), officials from the **Missouri Department of Higher Education and Workforce Development** did not anticipate the modifications made under this section would result in a fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will not report a fiscal impact as it relates to this section.

<u>Section 210.201 – Licensing of Certain Child Care Homes</u> – (Senate Amendment No. 5)

Oversight notes this section modifies the definition of "Montessori School".

Currently, the definition of "Montessori School" is "a child care program that subscribes to Maria Montessori's educational philosophy and that is accredited by the American Montessori Society or the Association Montessori Internationale".

This section modifies the definition of "Montessori School" to read "a child care program that is either accredited by, actively seeking accreditation by, or maintains an active school membership with the American Montessori Society, the Association Montessori Internationale, the International Montessori Counsel, or the Montessori Educational Programs International".

In response to similar legislation (SB 457 – 2021), officials from the **Department of Health and Senior Services**, the **Department of Social Services**, the **Department of Public Safety (DPS)**, **Fire Safety and DPS**, **Missouri Highway Patrol** did not anticipate this section would result in a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>Legislation as a Whole</u>

Officials from the **Missouri Department of Higher Education and Workforce Development**, **Office of the State Auditor** and the **Department of Health and Senior Services** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>Rule Promulgation</u>

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** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than $5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 our office can sustain with our core budget. Therefore, they reserve 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.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
GENERAL REVENUE FUND				
Costs – STO §160.560.8		Up to….	Up to….	$0
Personal Service	$0	($80,210)	($81,012)	$0
Fringe Benefits	$0	($49,664)	($49,908)	$0
Expense and Equip	$0	($28,500)	($11,236)	$0
Total Cost – STO	$0	($158,374)	($142,156)	$0
Transfer Out – §161.380 to the Competency – Based Education Grant Program Fund – unknown number and amount of grants §161.380	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	$0
Cost – DESE §161.385 – Competency-Based Education Task Force	($25,000)	($25,000)	($25,000)	$0
Cost – DESE – Development of Competency Based	($500,000) to (Unknown)	($500,000) to (Unknown)	$0	$0

Assessments (Per Course) - §161.385				
Revenue Reduction – Section(s) 166.410 & 166.435 – Subtraction From Federal Adjusted Gross Income For Contributions/Deposits Into 529/MOST Savings Accounts	($1,409,653) to could exceed ($7,060,449)	($3,623,683) to could exceed ($21,658,615)	($4,286,929) to could exceed ($22,528,129)	($1,081,927) to could exceed ($5,856,916)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($1,934,653) to could exceed ($7,585,449)**	**($4,148,683) to could exceed ($22,341,989)**	**($4,311,929) to could exceed ($22,695,285)**	**($1,081,927) to could exceed ($5,856,916)**
Estimated Net FTE Impact on the General Revenue Fund	0	Up to 2 FTE	Up to 2 FTE	0
COMPETENCY-BASED				

EDUCATION GRANT PROGRAM FUND				
Transfer In – from General Revenue - §161.380	$0 to Unknown	$0 to Unknown	$0 to Unknown	$0
Income – gifts, contributions, grants and/or bequests - §161.380	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0
Costs – Grant awards to local school districts - §161.380	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	$0
ESTIMATED NET EFFECT ON COMPETENCY-BASED EDUCATOIN GRANT PROGRAM FUND	**$0**	**$0**	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
SCHOOL DISTRICTS & CHARTER SCHOOLS				
Costs – SA 7	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Cost – §160.560 – 90% Of State, Local, Federal Student Aid Deposited Into 529/MOST Account	$0	$0	$0 or (Unknown)	$0
Revenue Gain – §161.380 – Grants Provided To School Districts	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0
Cost – §162.720 –Requirement To Establish Gifted Programs	$0 to could exceed ($6,888,675)	$0 to could exceed ($6,888,675)	$0 to could exceed ($6,888,675)	$0 to could exceed ($6,888,675)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & CHARTER SCHOOLS	**$0 to could exceed ($6,888,675)**	**$0 to could exceed ($6,888,675)**	**$0 or (Unknown, Could exceed $6,888,675)**	**$0 to could exceed ($6,888,675)**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

SHOW ME SUCCESS DIPLOMA PROGRAM (Section 160.560)

This act establishes the Show Me Success Diploma Program as an alternative pathway to graduation for high school students. Students may earn the show me success diploma beginning at the end of a student's tenth grade year. By July 1, 2022, the Department of Elementary and Secondary Education shall develop detailed requirements for students to become eligible for the show me success diploma.
Students who earn a show me success diploma may elect to remain in high school. Alternatively, a student having earned the diploma may instead enroll in a qualifying postsecondary educational institution. For each student enrolled in such an institution, an amount equal to ninety percent of the pupil's proportionate share of the state, local, and federal aid that the district or charter school receives for such pupil, shall be deposited into an account that lists the pupil as the beneficiary.

These provisions shall expire August 28, 2028.

INFORMATION TO BE PUBLISHED ON DEPARTMENT WEBSITE (Section 161.229)

Within thirty days of receipt or publication, the Department of Elementary and Secondary Education shall maintain and publish on its website any data or report sent to the Department from any federal agency and the full text of all state administrative rules and regulations related to elementary and secondary education. Such information shall be accessible and searchable from various electronic communication devices as described in the act.

By December 31st in every even-numbered year, the State Auditor shall review the Department's website for compliance with this section.

COMPETENCY BASED EDUCATION

(Section 161.385)

This act establishes the Competency-Based Education Grant Program. By application, the Department of Elementary and Secondary Education shall award grants from the fund to eligible school districts for the purpose of providing competency-based education programs. The Department shall facilitate the creation, sharing, and development of course assessments, curriculum, training and guidance for teachers, and best practices for the school districts that offer competency-based education courses.

This act establishes the Competency-Based Education Task Force to study and develop competency-based education programs in public schools. The Task Force shall conduct interviews and at least three public hearings to identify promising competency-based education programs and obstacles to implementing such programs. Before December 1 of each year, the Task Force shall present its findings and recommendations to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Joint Committee on Education, and the State Board of Education.

(Section 162.1255)

Under this act, school districts and charter schools shall receive state school funding under the foundation formula for high school students who are taking competency-based courses offered by their school district or charter school.
Attendance of a student enrolled in a competency-based course shall equal the product of the district or charter school's prior year average attendance percentage multiplied by the total number of attendance hours normally allocable to a non-competency-based course of equal credit value.

These provisions shall expire on August 28, 2028.

ANNEXATION OF SCHOOL DISTRICTS (Section 162.441)

Under current law, a school district may be attached to a community college district or to one or more adjacent seven-director school districts by a majority vote in the school district.

This act repeals a provision in current law specifying the format in which the question for such annexation shall be submitted to the voters. This act requires that the question be approved by the county commission in which the school district is located and requires the ballot language to include the tax rate and assessed valuation of the school district prior to and after approval.

GIFTED EDUCATION (Section 162.720)

Under current law, when a sufficient number of children are determined to be gifted and their development requires programs or services beyond the level of those ordinarily provided in regular public school programs, school districts may establish special programs for such gifted children. Approval of such programs shall be made by the Department of Elementary and Secondary Education based upon project applications submitted by July 15th of each year.

Under this act, if 3% or more of students enrolled in a school district or charter school are determined to be gifted, the district or charter school is required to establish a state-approved gifted program for gifted children. If a school district or charter school has an average daily attendance of 350 students or fewer, the gifted program shall not be required to provide services by a teacher certified to teach gifted education. Any teacher who provides gifted services through the program and is not certified shall annually participate in at least 6 hours of professional development focused on gifted development.

These provisions shall apply to school years beginning on or after July 1, 2023.

Approval of such programs shall be made by the Department based upon project applications submitted at a time and in a form determined by the Department.

MISSOURI EDUCATION SAVINGS PROGRAM (Sections 166.400, 166.410, 166.415, 166.420, 166.425, 166.435, 166.440, and 166.456)

Under this act, the Missouri Education Savings Program is renamed the Missouri Education Program.

This act modifies the definition of "eligible educational institution" to include all eligible educational institutions, as defined in Section 529 of the Internal Revenue Code, rather than just institutions of postsecondary education.

STUDENTS WITH EPILEPSY AND SEIZURE DISORDERS (Section 167.625)

This act establishes "Will's Law," requiring individualized health care plans to be developed by school district nurses in consultation with a student's parent or guardian and appropriate medical professionals that address procedural guidelines and specific directions for particular emergency situations relating to the student's epilepsy or seizure disorder. Plans are to be updated at the beginning of each school year and as necessary. Notice must be given to any school employee that may interact with the student, including symptoms of the epilepsy or seizure disorder and any medical and treatment issues that may affect the educational process.

All school employees must be trained every two years in the care of students with epilepsy and seizure disorders. Training shall include an online or in-person course of instruction approved by the Department of Health and Senior Services. School personnel shall obtain a release from a student's parent to authorizing the sharing of medical information with other school employees as necessary.

This act protects school employees from being held liable for any good faith act or omission while performing their duties.

This act contains an emergency clause applying to these provisions.

MISSOURI WESTERN STATE UNIVERSITY (Section 174.453)

This act repeals provisions of current law setting forth the requirement that two of the eight voting members of the Board of Governors for Missouri Western State University be selected from any of the counties in the state outside of the counties set forth under current law. This act also removes the cap on the number of members that may be appointed from any one county.

MONTESSORI SCHOOLS (Section 210.201)

Under current law, Montessori schools are not required to have a child care facility license to operate in the state. This act modifies the definition of a Montessori school to include programs that are either accredited by, actively seeking accreditation by, or maintain an active school membership with the American Montessori Society, Association Montessori Internationale the International Montessori Counsel, or the Montessori Educational Programs International.

This act contains an emergency clause applying to these provisions.

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

Missouri Department of Elementary and Secondary Education
Missouri State Treasurer's Office
Missouri House of Representatives
Missouri Senate
Missouri Governor's Office
High Point R-III School District
Missouri Department of Social Services
Office of Administration – Budget & Planning Division
Missouri Department of Revenue
Fordland R-III School District
Missouri Department of Health and Senior Services
Missouri Department of Higher Education and Workforce Development
Missouri Department of Public Safety – Fire Safety Division
Missouri Highway Patrol
Joint Committee on Administrative Rules
Missouri Secretary of State's Office

Julie Morff
Director
March 3, 2021

Ross Strope
Assistant Director
March 3, 2021

TS:LR:OD