

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 478
100TH GENERAL ASSEMBLY

0745H.03C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To amend chapters 135 and 166, RSMo, by adding thereto ten new sections relating to educational scholarships, with penalty provisions.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapters 135 and 166, RSMo, are amended by adding thereto ten new sections, to be known as sections 135.712, 135.713, 135.714, 135.716, 135.719, 166.700, 166.705, 166.710, 166.715, and 166.720, to read as follows:

135.712. 1. Sections 135.712 to 135.719 and sections 166.700 to 166.720 establish the "Missouri Empowerment Scholarship Accounts Program" to provide options toward ensuring the education of students in this state.

2. As used in sections 135.712 to 135.719, the following terms mean:

(1) "Educational assistance organization", a charitable organization registered in this state that is exempt from federal taxation under the Internal Revenue Code of 1986, as amended; that is certified by the state treasurer; that allocates all of its annual revenue for educational assistance, except as provided in paragraph (c) of subdivision (4) of subsection 1 of section 135.714 and as provided in sections 135.712 to 135.719, derived from contributions for which a credit is claimed under sections 135.712 to 135.719; and that does not discriminate on the basis of race, color, or national origin;

(2) "Parent", a parent, guardian, custodian, or other person with authority to act on behalf of a qualified student;

(3) "Program", the Missouri empowerment scholarship accounts program established under sections 135.712 to 135.719 and sections 166.700 to 166.720;

(4) "Qualified student", the same meaning as used in section 166.700;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 (5) "Qualifying contribution", a donation of cash, stocks, bonds, or other
18 marketable securities for purposes of claiming a tax credit under sections 135.712 to
19 135.719;

20 (6) "Scholarship account", a savings account created by the Missouri
21 empowerment scholarship accounts program authorized by sections 166.700 to 166.720;

22 (7) "Taxpayer", an individual subject to the state income tax imposed by chapter
23 143; an individual, firm, partner in a firm, corporation, or shareholder in an S corporation
24 doing business in this state and subject to the state income tax imposed by chapter 143; or
25 an express company that pays an annual tax on its gross receipts in this state under chapter
26 153, which files a Missouri income tax return and is not a dependent of any other taxpayer.

135.713. 1. For all tax years beginning on or after January 1, 2020, any taxpayer
2 who makes a qualifying contribution to an educational assistance organization may claim
3 a credit against the tax otherwise due under chapter 143, other than taxes withheld under
4 sections 143.191 to 143.265, and chapter 153, in an amount equal to one hundred percent
5 of the amount the taxpayer contributed during the tax year for which the credit is claimed.
6 No taxpayer shall claim a credit under sections 135.712 to 135.719 for any contribution
7 made by the taxpayer, or an agent of the taxpayer, on behalf of the taxpayer's dependent
8 or, in the case of a business taxpayer, on behalf of the business's agent's dependent.

9 2. The amount of the tax credit claimed shall not exceed fifty percent of the
10 taxpayer's state tax liability for the tax year for which the credit is claimed. The state
11 treasurer shall certify the tax credit amount to the taxpayer. A taxpayer may carry the
12 credit forward to any of such taxpayer's four subsequent tax years. All tax credits
13 authorized under the program shall not be transferred, sold, or assigned and are not
14 refundable.

15 3. The cumulative amount of tax credits that may be allocated to all taxpayers
16 contributing to educational assistance organizations in any one calendar year shall not
17 exceed fifty million dollars, which amount shall annually be adjusted by the state treasurer
18 for inflation based on the consumer price index for all urban consumers for the Midwest
19 region, as defined and officially recorded by the United States Department of Labor or its
20 successor. The state treasurer shall establish a procedure by which the tax credits shall be
21 allocated on a first-come, first-served basis. The state treasurer shall establish the
22 procedure described in this subsection in such a manner as to ensure that taxpayers can
23 claim all the tax credits possible up to the cumulative amount of tax credits available for
24 the calendar year.

135.714. 1. Each educational assistance organization shall:

- 2 **(1) Notify the state treasurer of its intent to provide scholarship accounts to**
3 **qualified students;**
- 4 **(2) Demonstrate to the state treasurer that it is exempt from federal income tax**
5 **under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;**
- 6 **(3) Provide a state treasurer-approved receipt to taxpayers for contributions made**
7 **to the organization;**
- 8 **(4) Ensure that:**
- 9 **(a) One hundred percent of its revenues from interest or investments is spent on**
10 **scholarship accounts;**
- 11 **(b) At least ninety percent of its revenues from qualifying contributions is spent on**
12 **scholarship accounts; and**
- 13 **(c) Marketing and administrative expenses do not exceed the following limits of its**
14 **remaining revenue from contributions: ten percent for the first two hundred fifty**
15 **thousand dollars, eight percent for the next five hundred thousand dollars, and three**
16 **percent thereafter;**
- 17 **(5) Distribute scholarship account payments either four times per year or in a single**
18 **lump sum at the beginning of the year as requested by the parent of a qualified student,**
19 **not to exceed a total grant amount equal to the state adequacy target, as defined in section**
20 **163.011 and calculated by the department of elementary and secondary education, in the**
21 **form of a deposit into the scholarship account of the qualified student;**
- 22 **(6) Carry forward no more than twenty-five percent of revenue from contributions**
23 **from the tax year in which they were received to the following tax year;**
- 24 **(7) Provide the state treasurer, upon request, with criminal background checks on**
25 **all its employees and board members and exclude from employment or governance any**
26 **individual that might reasonably pose a risk to the appropriate use of contributed funds;**
- 27 **(8) Annually administer either the state achievement tests or nationally norm-**
28 **referenced tests that measure learning gains in mathematics and English language arts,**
29 **and provide for value-added assessment, to all participating students in grades that require**
30 **testing under the statewide assessment system set forth in section 160.518;**
- 31 **(9) Allow costs of the testing requirements to be covered by the scholarships**
32 **distributed by the educational assistance organization;**
- 33 **(10) Provide the parents of each student who was tested with a copy of the results**
34 **of the tests on an annual basis, beginning with the first year of testing;**
- 35 **(11) Provide the test results to the state treasurer on an annual basis, beginning**
36 **with the first year of testing;**

37 **(12) Report student information that would allow the state treasurer to aggregate**
38 **data by grade level, gender, family income level, and race;**

39 **(13) Provide rates of high school graduation, college attendance, and college**
40 **graduation for participating students to the state treasurer in a manner consistent with**
41 **nationally recognized standards;**

42 **(14) Provide to the state treasurer the results from an annual parental satisfaction**
43 **survey, including information about the number of years that each parent's child has**
44 **participated in the program. The annual satisfaction survey shall ask parents of**
45 **scholarship students to express:**

46 **(a) Their satisfaction with their child's academic achievement, including academic**
47 **achievement at the school their child attended through the program as compared to**
48 **academic achievement at the school previously attended;**

49 **(b) Their satisfaction with school safety at the school their child attends through**
50 **the program as compared to safety at the school previously attended;**

51 **(c) Whether their child would have been able to attend their school of choice**
52 **without the scholarship; and**

53 **(d) Their opinions on other topics, items, or issues that the state treasurer finds**
54 **would elicit information about the effectiveness of the program;**

55 **(15) Demonstrate its financial accountability by:**

56 **(a) Submitting to the state treasurer annual audit financial statements, prepared**
57 **by a certified public accountant, within six months of the end of the educational assistance**
58 **organization's fiscal year; and**

59 **(b) Having an auditor certify that the report is free of material misstatements; and**

60 **(16) Demonstrate its financial viability, if it is to receive donations of fifty thousand**
61 **dollars or more during the school year, by filing with the state treasurer before the start**
62 **of the school year a surety bond payable to the state in an amount equal to the aggregate**
63 **amount of contributions expected to be received during the school year or other financial**
64 **information that demonstrates the financial viability of the educational assistance**
65 **organization.**

66 **2. The state treasurer shall:**

67 **(1) Ensure compliance with all student privacy laws;**

68 **(2) Collect all test results;**

69 **(3) Provide the test results and associated learning gains to the public via a state**
70 **website after the third year of test and test-related data collection. The findings shall be**
71 **aggregated by grade level, gender, family income level, number of years of participation**
72 **in the program, and race; and**

73 (4) Provide graduation rates to the public via a state website after the third year
74 of test and test-related data collection.

75 3. The annual audit required under this section shall include:

76 (1) The name and address of the educational assistance organization;

77 (2) The total number and total dollar amount of contributions received during the
78 previous calendar year; and

79 (3) The total number and total dollar amount of scholarship accounts opened
80 during the previous calendar year.

81 4. An educational assistance organization may contract with private financial
82 management firms to manage scholarship accounts with the supervision of the state.

135.716. 1. The state treasurer shall provide a standardized format for a receipt
2 to be issued by an educational assistance organization to a taxpayer to indicate the value
3 of a contribution received. The state treasurer shall require a taxpayer to provide a copy
4 of this receipt if claiming the tax credit authorized by the program.

5 2. The state treasurer shall provide a standardized format for educational
6 assistance organizations to report the information required in subsection 1 of this section.

7 3. The state treasurer or state auditor may conduct an investigation if the state
8 treasurer possesses evidence of fraud committed by the educational assistance
9 organization.

10 4. The state treasurer may bar an educational assistance organization from
11 participating in the program if the state treasurer establishes that the educational
12 assistance organization has intentionally and substantially failed to comply with the
13 requirements of section 135.714. If the state treasurer bars an educational assistance
14 organization from the program under this subsection, it shall notify affected qualified
15 students and their parents of the decision as soon as possible after the decision is made.

16 5. The state treasurer shall issue a report on the state of the program five years
17 after it goes into effect. The report shall include, but not be limited to:

18 (1) Information regarding the finances of the educational assistance organizations;
19 and

20 (2) Educational outcomes of qualified students.

135.719. 1. The state treasurer may promulgate rules to implement the provisions
2 of sections 135.712 to 135.719. Any rule or portion of a rule, as that term is defined in
3 section 536.010, that is created under the authority delegated in this section shall become
4 effective only if it complies with and is subject to all of the provisions of chapter 536 and,
5 if applicable, section 536.028. This section and chapter 536 are nonseverable, and if any
6 of the powers vested with the general assembly pursuant to chapter 536 to review, to delay

7 the effective date, or to disapprove and annul a rule are subsequently held
8 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted
9 after August 28, 2019, shall be invalid and void.

10 2. The provisions of section 23.253 of the Missouri sunset act shall not apply to
11 sections 135.712 to 135.719 and sections 166.700 to 166.720.

166.700. As used in sections 166.700 to 166.720, the following terms mean:

2 (1) "Curriculum", a complete course of study for a particular content area or grade
3 level, including any supplemental materials;

4 (2) "District", the same meaning as used in section 160.011;

5 (3) "Educational assistance organization", the same meaning as used in section
6 135.712;

7 (4) "Parent", the same meaning as used in section 135.712;

8 (5) "Private school", a school that is not a part of the public school system of the
9 state of Missouri and that charges tuition for the rendering of elementary or secondary
10 educational services;

11 (6) "Program", the Missouri empowerment scholarship accounts program
12 established under sections 135.712 to 135.719 and sections 166.700 to 166.720;

13 (7) "Qualified school", a charter school as defined in section 160.400, a home school
14 as defined in section 167.031, a private school as defined in this section, a public school as
15 defined in section 160.011, or a public or private virtual school that is incorporated in
16 Missouri. Charter schools, public schools, and public virtual schools are "qualified
17 schools" only to the extent that moneys deposited in a qualified student's scholarship
18 account are used for specific services or individual classes consistent with the provisions
19 of subdivision (4) of subsection 1 of section 166.705;

20 (8) "Qualified student", any elementary or secondary school student who is a
21 resident of this state and resides in any county with a charter form of government or any
22 municipality with a population greater than thirty thousand inhabitants.

166.705. 1. A parent of a qualified student may establish a Missouri empowerment
2 scholarship account for the student by entering into a written agreement with an
3 educational assistance organization. The agreement shall provide that:

4 (1) The qualified student shall enroll in a qualified school and receive an education
5 in at least the subjects of English language arts, mathematics, social studies, and science;

6 (2) The qualified student shall not be enrolled in a school operated by the qualified
7 student's district of residence or a charter school, except for a qualified student who is in
8 the custody of the state, and shall release the district of residence from all obligations to
9 educate the qualified student while the qualified student is enrolled in the program; except

10 that, this subdivision shall not relieve the student's district of residence from the obligation
11 to conduct an evaluation for disabilities;

12 (3) The qualified student shall receive a grant, in the form of moneys deposited in
13 accordance with section 135.714, in the qualified student's Missouri empowerment
14 scholarship account;

15 (4) The moneys deposited in the qualified student's Missouri empowerment
16 scholarship account shall be used only for the following expenses of the qualified student:

17 (a) Tuition or fees at a qualified school;

18 (b) Textbooks required by a qualified school;

19 (c) Educational therapies or services for the qualified student from a licensed or
20 accredited practitioner or provider, including licensed or accredited paraprofessionals or
21 educational aides;

22 (d) Tutoring services;

23 (e) Curriculum;

24 (f) Tuition or fees for a private virtual school;

25 (g) Fees for a nationally standardized norm-referenced achievement test, advanced
26 placement examinations, international baccalaureate examinations, or any examinations
27 related to college or university admission;

28 (h) Fees for management of the empowerment scholarship account by firms
29 selected by the educational assistance organization;

30 (i) Services provided by a public school, including individual classes and
31 extracurricular programs;

32 (j) Insurance or surety bond payments as required by the state treasurer;

33 (k) Computer hardware or other technological devices that are used to help meet
34 a qualified student's educational needs and that are approved by an educational assistance
35 organization; and

36 (l) Fees for summer education programs and specialized after-school education
37 programs; and

38 (5) Moneys deposited in the qualified student's scholarship account shall not be
39 used for the following:

40 (a) Consumable educational supplies including, but not limited to, paper, pens,
41 pencils, or markers; and

42 (b) Tuition at a private school located outside of the state of Missouri.

43 2. Missouri empowerment scholarship accounts are renewable on an annual basis
44 upon request of the parent of a qualified student. Notwithstanding any changes to the
45 qualified student's multidisciplinary evaluation team plan, a student who has previously

46 qualified for a Missouri empowerment scholarship account shall remain eligible to apply
47 for renewal until the student completes high school and submits scores to the state
48 treasurer from a nationally standardized norm-referenced achievement test, advanced
49 placement examination, international baccalaureate examination, or any examination
50 related to college or university admission purchased with Missouri empowerment
51 scholarship account funds.

52 3. A signed agreement under this section shall satisfy the compulsory school
53 attendance requirements of section 167.031.

54 4. A qualified school or a provider of services purchased under this section shall
55 not share, refund, or rebate any Missouri empowerment scholarship account moneys with
56 the parent or qualified student in any manner.

57 5. If a qualified student withdraws from the program by enrolling in a school other
58 than a qualified school, or is disqualified from the program under the provisions of section
59 166.710, the qualified student's Missouri empowerment scholarship account shall be closed
60 and any remaining funds shall be returned to the educational assistance organization for
61 redistribution to other qualified students. Under such circumstances, the obligation to
62 provide an education for such student shall transfer back to the student's district of
63 residence.

64 6. Any funds remaining in a qualified student's scholarship account at the end of
65 a school year shall remain in the account and shall not be returned to the educational
66 assistance organization. Any funds remaining in a qualified student's scholarship account
67 upon graduation from a qualified school shall be returned to the educational assistance
68 organization for redistribution to other qualified students.

69 7. If a qualified student moves out of any county with a charter form of government
70 or any municipality with a population greater than thirty thousand inhabitants, the
71 qualified student shall remain eligible for participation in the program until the student
72 graduates from high school.

73 8. Moneys received under sections 166.700 to 166.720 shall not constitute Missouri
74 taxable income to the parent of the qualified student.

166.710. 1. Beginning in the 2021-22 school year and continuing thereafter, the
2 state treasurer shall conduct or contract for annual audits of empowerment scholarship
3 accounts to ensure compliance with the requirements of subsection 1 of section 166.705.
4 The state treasurer shall also conduct or contract for random, quarterly, and annual audits
5 of empowerment scholarship accounts as needed to ensure compliance with the
6 requirements of subsection 1 of section 166.705.

7 **2. A parent, qualified student, or vendor may be disqualified from program**
8 **participation if the state treasurer, or his or her designee, finds the party has committed**
9 **an intentional program violation consisting of any misrepresentation or other act that**
10 **materially violates any law or rule governing the program. The state treasurer may**
11 **remove any parent or qualified student from eligibility for a Missouri empowerment**
12 **scholarship account. A parent may appeal the state treasurer's decision to the**
13 **administrative hearing commission. A parent may appeal the administrative hearing**
14 **commission's decision to the circuit court of the county in which the student resides.**

15 **3. The state treasurer may refer cases of substantial misuse of moneys to the**
16 **attorney general for investigation if the state treasurer obtains evidence of fraudulent use**
17 **of an account.**

18 **4. The state treasurer shall promulgate the following rules to implement and**
19 **administer the program:**

- 20 **(1) Procedures for conducting examinations of use of account funds;**
21 **(2) Procedures for conducting random, quarterly, and annual reviews of accounts;**
22 **(3) Creation of an online anonymous fraud reporting service;**
23 **(4) Creation of an anonymous telephone hotline for fraud reporting; and**
24 **(5) A surety bond requirement for account holders.**

25 **5. Any rule or portion of a rule, as that term is defined in section 536.010, that is**
26 **created under the authority delegated in this section shall become effective only if it**
27 **complies with and is subject to all of the provisions of chapter 536 and, if applicable,**
28 **section 536.028. This section and chapter 536 are nonseverable, and if any of the powers**
29 **vested with the general assembly pursuant to chapter 536 to review, to delay the effective**
30 **date, or to disapprove and annul a rule are subsequently held unconstitutional, then the**
31 **grant of rulemaking authority and any rule proposed or adopted after August 28, 2019,**
32 **shall be invalid and void.**

166.715. 1. A person commits a class A misdemeanor if he or she is found to have
2 **knowingly used moneys granted under section 135.714 for purposes other than those**
3 **provided for in sections 166.700 to 166.720.**

4 **2. No financial institution shall be liable in any civil action for providing a**
5 **scholarship account's financial information to the state treasurer unless the information**
6 **provided is false and the financial institution providing the false information does so**
7 **knowingly and with malice.**

166.720. 1. Sections 166.700 to 166.720 do not permit any governmental agency to
2 **exercise control or supervision over any qualified school in which a qualified student**
3 **enrolls other than a qualified school that is a public school.**

4 **2. A qualified school, other than a qualified school that is a public school, that**
5 **accepts a payment from a parent under sections 166.700 to 166.720 shall not be considered**
6 **an agent of the state or federal government due to its acceptance of the payment.**

7 **3. A qualified school shall not be required to alter its creed, practices, admissions**
8 **policy, or curriculum in order to accept students whose parents pay tuition or fees from**
9 **an empowerment scholarship account to participate as a qualified school.**

10 **4. Notwithstanding subsection 3 of this section, a qualified school shall not receive**
11 **payment from an empowerment scholarship account until it is able to demonstrate that it**
12 **has conducted criminal background checks on all employees, as required for persons**
13 **having contact with pupils in section 168.133.**

14 **5. In any legal proceeding challenging the application of sections 166.700 to 166.720**
15 **to a qualified school, the state shall bear the burden of establishing that the law is**
16 **necessary and does not impose any undue burden on qualified schools.**

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