

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5629H.06C
 Bill No.: HCS for SS for SB 1196
 Subject: Higher Education; Economic Development; Department of Elementary and Secondary Education; Department of Higher Education and Workforce Development
 Type: Original
 Date: May 7, 2026

Bill Summary: This proposal modifies provisions relating to higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$1,242,856)	(Could exceed \$1,185,538)	(Could exceed \$3,187,545)
Total Estimated Net Effect on General Revenue	Up to (\$1,242,856)	(Could exceed \$1,185,538)	(Could exceed \$3,187,545)

*Oversight notes this proposal removes the sunset from §173.831. Costs for the Workforce Diploma Program will continue in FY 2029 and all subsequent years.

*The Fast Track Grant is subject to appropriation.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
College & University Funds*	\$0	\$0 or Unknown	\$0 or Unknown
Fast Track Workforce Incentive Grant**	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

*Oversight assumes an increase in funding from the adoption of a performance-based funding model. If appropriated, the revenue gain to colleges and universities could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

**Increase in appropriations transferred-in and grants provided net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government*	\$0	\$0 or Unknown	\$0 or Unknown

*Oversight notes based on the study prepared for DHEWD, there could be an unknown revenue gain for performance-based funding to colleges and universities.

FISCAL ANALYSIS

ASSUMPTION

§173.831 - Workforce Diploma Program

Oversight notes this section will automatically sunset August 28, 2028. This proposal removes the sunset clause from this section.

Oversight is providing data based on information found in DESE's FY 2027 Budget book for program history regarding the Workforce Diploma Program as seen in the table below:

<u>Year</u>	<u>Budget Authority</u>	<u>Actual Expenditure</u>	<u>Unexpended</u>
2023	\$1,940,000	(\$586,250)	\$1,353,750
2024	\$1,940,000	(\$1,940,000)	\$0
2025	\$3,880,000	(\$3,411,000)	\$469,000
2026 (As of 08/31/2025)	\$1,940,000	(\$481,750)	\$1,458,250

Oversight assumes based on prior fund activity, if the proposal passes, DESE would continue to appropriate funds for the program, the fund is subject to appropriation. Therefore, Oversight will reflect a continued cost for DESE as could exceed \$2,000,000 (based on most consistent appropriation) in FY 2029 for the continuation of the program.

§173.1541 - Missouri Higher Education Funding Policy Prioritization Act

Officials from **Department of Higher Education and Workforce Development (DHEWD)** state that §173.1541 directs the department to develop a higher education funding model that reflects a cost-based approach and includes a performance component. As this language directs the department to continue work that is already underway, there is not fiscal impact related to this provision.

In response to similar legislation, HCS for HB 2123 (2026), officials from **Northwest Missouri State University (NWMSU)** stated there is a potential for a positive fiscal impact dependent on the final model and approval. Northwest has been underfunded in relation to other institutions across the state as evidenced in the DHEWD FactBook. Northwest has the lowest funded state appropriations per FTE and also per Degree Completion of the four-year public universities in the State of Missouri.

In addition, the initial NCHEMS funding model study recommended additional annual core appropriation funding for Northwest of nearly \$10 million which has also been calculated at nearly \$10 million in the equity model approved by the House during the 2026 session.

Oversight notes, in the 2022 legislation session, the General Assembly passed HB 3003 which directed the DHEWD to commission a study that would provide recommendations to the

Governor and the General Assembly on higher education performance funding models. DHEWD contracted with the National Center for Higher Education Management Systems (NCHEMS) to conduct a review of the State's higher education funding models and create a recommended funding model for the state of Missouri. In addition, NCHEMS was to review efficiency measures. NCHEMS issued their final report with the results of their review of Missouri's higher education performance funding models along with recommendations on July 3, 2023. Based on their findings, the NCHEMS designed a new funding model for Missouri institutions of higher education.

Based on the study prepared for DHEWD, **Oversight** assumes there could be an unknown cost to General Revenue for performance-based funding and an unknown gain to colleges and universities.

§173.2553 – Fast Track Workforce Incentive Grant

Officials from the **DHEWD** state that Section 173.2553 amends the existing Fast Track Workforce Incentive Grant. Currently, the income thresholds for Fast Track participants are set at \$80,000 adjusted gross income (AGI) for those married filing jointly, and \$40,000 for those in all other tax filing statuses. This legislation would increase that income threshold to \$100,000 AGI for those married filing jointly and \$50,000 for all other filing statuses, which the department assumes will go into effect August 28, 2026, if passed and signed into law. In addition, it would require the department to annually adjust those AGI thresholds based on inflation, beginning on January 1, 2027, which would go into effect at the start of each following fiscal year beginning with FY 2028.

While information on income based on tax filing status is difficult to find, data from Statistical Atlas (<https://statisticalatlas.com/state/Missouri/Household-Income#overview>) indicates that approximately 69.1 percent of Missouri households have an income of \$75,000 or less, and that 81.1 percent have a household income of \$100,000 or less, which is a difference of 12 percentage points. Because these data do not include tax filing status, it is difficult to estimate the impact of the change from \$40,000 to \$50,000 for those not married or filing jointly, and the department believes those individuals are included, though likely undercounted, in the 12 percentage point change.

The department currently estimates there will be 1,900 Fast Track recipients in FY 2027. Adding 12 percent to this base, as a result of raising the income thresholds, would increase the number of recipients by 228 students. The estimated Fast Track award for FY 2027 is \$4,125. The department estimates the fiscal impact for FY 2027 to be approximately \$940,500.

While these are conservative estimates and likely underestimates the total change because it is not possible to accurately estimate the cost of the AGI threshold change from \$40,000 to \$50,000, the department estimates the fiscal impact for FY 2027 to be between zero and \$940,500. Assuming an annual tuition and fee increase of five percent per year, the fiscal impact for FY 2028 would range from zero to \$987,468 and for FY 2029 would range from zero to

\$1,036,901.

An additional note to these estimates. Because Fast Track is still a new program, the department believes there is still the potential for a large amount of growth. These estimates only take into consideration the impact of the changes due to this legislation, and most likely underestimate the changes that may occur due to overall large program growth.

Oversight notes, as shown in DHEWD's 2027 Budget Request, the Fast Track Workforce Incentive Grant was Implemented in FY 2020, this need-based program addresses workforce needs by encouraging adults who have not yet received a bachelor's degree to complete a certificate, degree, or industry-recognized credential in an area designated by the Coordinating Board for Higher Education as high need. Amendments to the program in 2022 increased the number of eligible training providers, expanded the grant to apprenticeships, and removed the loan-related requirements. For students, the award is based on remaining tuition and fees after all non-loan governmental sources of funding have been applied. If all tuition and fee costs are covered by other aid, the award is the lesser of \$500 or the student's remaining cost of attendance. For apprentices the award is based on the amount of related educational costs. Need is based on the individual's adjusted gross income.

Oversight has no information to the contrary. Therefore, Oversight will present the fiscal impact of this proposal as provided by DHEWD (excluding CPI adjustment). Oversight notes the Fast Track Incentive Grant is subject to appropriations and will present costs to General Revenue and the corresponding transfer to the Fast Track Workforce Incentive Grant Fund as \$0 or the amount provided by DHEWD. Oversight further assumes transfers-in and grants provided will net to \$0.

In response to the similar proposal, SB 1451 (2026), officials from **University of Missouri** assumed the proposal will have no fiscal impact on their organization.

In response to similar legislation, HB 2278 (2024), officials from **Missouri State University** assumed the proposal would have no fiscal impact on their organization.

Oversight does not anticipate a direct fiscal impact to colleges and universities. Therefore, Oversight will reflect a zero impact in the fiscal note.

§173.2570 - §173.2573 - Grants for Certain Workforce Training Programs

Officials from the **DHEWD** assume Section 173.2573 provides language related to the implementation of the federal Workforce Pell Grant. This legislation will require the State Workforce Development Board to coordinate approval of eligible workforce training programs with other state and federal workforce programs. That action requires eligible workforce training programs to provide verifiable data, as determined by the board, demonstrating program outcomes, including completion rates, job placement rates, and earnings. These requirements will necessitate two FTEs at DHEWD for data coordination and program review and approval. It

is assumed that the positions will be at a Senior Program Specialist position level (\$64,000 starting salary). Funds will be needed for the new employees' computer and related equipment (\$1,943.59 each) and ongoing ITSD expenses (estimated at \$3,477.98 per year). Annual E&E expenses (professional development, supplies, etc.) must be considered for each FTE and those are estimated at \$5,000 per year. ITSD will be required to develop and maintain a data system to collect and store confidential, PII, student records from public and private higher education institutions and training providers. ITSD estimates the initial cost to be \$88,452, with ongoing yearly maintenance costs of \$10,000 to \$12,000.

DHEWD is an ITSD Consolidated agency. ITSD costs for data collection, validation, and storage of new data collection from providers. It would require a front-end data ingestion tool, database structure, and on-going maintenance. Could be in-house or contracted.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimate as provided by DHEWD.

Oversight notes that §173.2573 requires that any workforce training program created and approved by the state board must also comply with federal eligibility rules. For informational purposes, Oversight notes Section 83002 of Public Law 119-21 sets those federal rules for workforce programs that want students to use Pell Grants.

Responses regarding the proposed legislation as a whole

Officials from **Department of Economic Development** assume as the result of the 2019 reorganization of state departments, §620.512.5 will need to replace the department of economic development with the department of higher education and workforce development to read: "The department of higher education and workforce development shall provide professional, technical, and clerical staff for the board".

Officials from the **Oversight Division, Department of Revenue, Department of Public Safety - Missouri Veterans Commission, Department of Social Services, Office of Administration,** and **Missouri Senate** 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.

Officials the **University of Central Missouri (UCM)** state this proposal will have an indeterminate impact.

In response to the similar proposal, HCS for HB 2123 (2026), officials from the **Missouri House of Representatives** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges, universities, and community colleges were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DESE (173.831) Workforce Diploma Program p.3</u>	\$0	\$0	(Could exceed \$2,000,000)
<u>Cost – DHEWD (§173.1541) Performance funding model p.4</u>	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer-out – DHEWD (§173.2553) Increase grant recipients p.5</u>	\$0 to (\$940,500)	\$0 to (\$940,500)	\$0 to (\$940,500)
<u>Cost – DHEWD (§173.2573) p.6</u>			
Personal Service	(\$117,333)	(\$130,560)	(\$133,171)
Fringe Benefits	(\$77,141)	(\$85,183)	(\$86,233)
Expense & Equipment	(\$19,430)	(\$17,295)	(\$17,641)
<u>Total Costs – DHEWD</u>	<u>(\$230,904)</u>	<u>(\$233,038)</u>	<u>(\$237,045)</u>
FTE Change – DHEWD	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Cost – DHEWD (§173.2573) ITSD Data Collection System p.6</u>	(\$88,452)	(\$12,000)	(\$10,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to <u>(\$1,242,856)</u>	(Could exceed <u>\$1,185,538)</u>	(Could exceed <u>\$3,187,545)</u>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE
FAST TRACK WORKFORCE INCENTIVE GRANT FUND			
<u>Transfer-in – GR (§173.2553) Increase in qualifying recipients p.5</u>	\$0 or \$940,500	\$0 or \$940,500	\$0 or \$940,500
<u>Cost – DHEWD (§173.2553) Increase in grants to students p.5</u>	\$0 or <u>(\$940,500)</u>	\$0 or <u>(\$940,500)</u>	\$0 or <u>(\$940,500)</u>
ESTIMATED NET EFFECT ON THE FAST TRACK WORKFORCE INCENTIVE GRANT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
COLLEGE & UNIVERSITY FUNDS			
<u>Revenue Gain - (§173.1541) Performance funding model p.4</u>	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain – Community Colleges</u> (§173.1541) Performance funding model p.4	\$0	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

WORKFORCE DIPLOMA (Section 173.831)

Currently, the Workforce Diploma Program is set to expire in 2028. This bill removes the sunset for this program.

MISSOURI HIGHER EDUCATION WORKFORCE POLICY PRIORITIZATION (Section 173.1541) The bill creates the "Missouri Higher Education Workforce Policy Prioritization Act" and requires the Department of Higher Education and Workforce Development (DHEWD), in consultation with public institutions of higher education, to develop a funding model for public institutions of higher education.

The funding model will provide a level of stable, sustainable resources, align funding to develop educated persons to meet the professional and workforce needs, be based on the 2024 House special interim committee on higher education funding and include the findings of 2023 study commissioned by the DHEWD, include a process for allocation of core appropriations, use a cost-based approach to funding, and include a performance component designed to enhance student success and efficient operations.

The model will clearly specify institutional actions that will support additional performance or workforce appropriations.

The DHEWD will establish a plan for the testing and implementation of the funding model to be approved by the Coordinating Board for Higher Education, as specified in the bill, and submit the plan to the Governor and General Assembly before October 15th, 2026.

The DHWED will also submit a report on the effectiveness of the funding model test to the Speaker of the House of Representatives, the President Pro Tem of the Senate and the Governor before November 15th, 2026. The funding model must be approved by the Board before December 1, 2026, and must be approved by the General Assembly by concurrent resolution.

Beginning in the 2028-29 fiscal year, if approved, the funding model will be used for appropriating funding for public institutions of higher education and any appropriation of state funding to an institution for the 2028-29 fiscal year will not be less than the appropriation received by that institution for the previous fiscal year unless the appropriations for all institutions described in this bill are reduced proportionately.

FAST TRACK WORKFORCE INCENTIVE GRANT (Section 173.2553)

This bill increases the maximum gross income for eligibility for the Fast Track Workforce Incentive Grant from \$80,000 to \$100,000 for taxpayers who are married filing jointly and from \$40,000 to \$50,000 for all other taxpayers. The bill modifies the definition of "eligible training provider" to require that organizations have legally operated in Missouri for no less than 12 consecutive months.

WORKFORCE PELL GRANTS (173.2573, 620.511 to 620.514)

This bill allows the Governor, in consultation with the Board, to approve all eligible workforce training programs for participation in the workforce Pell grant program. The Board must coordinate approval of eligible workforce training programs with other state and federal workforce programs. The bill transfers the Board from the Department of Economic Development to the Department of Higher Education and Workforce Development with a statute transfer for Sections 620.511 to 620.514 to Sections 173.2570 to 173.2573.

EMERGENCY CLAUSE (Section 173.2553, 173.2570 to 173.2573)

Certain Sections of this bill contain an emergency clause.

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

Department of Economic Development
Department of Higher Education and Workforce Development
Department of Revenue
Department of Public Safety - Missouri Veterans Commission
Department of Social Services
Office of Administration
Northwest Missouri State University
University of Missouri
Missouri State University
Oversight Division
University of Central Missouri

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Missouri House of Representatives
Missouri Senate
Joint Committee on Administrative Rules
Office of the Secretary of State



Julie Morff
Director
May 7, 2026



Jessica Harris
Assistant Director
May 7, 2026