

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1211H.03C
 Bill No.: HCS for HB 417
 Subject: Economic Development; Department of Economic Development; Boards, Commissions, Committees, and Councils; Employees - Employers
 Type: Original
 Date: February 8, 2023

Bill Summary: This proposal offers grants to employers to encourage employees to obtain upskill credentials.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	\$0 or Up to (\$6,196,383)	\$0 or Up to (\$6,213,686)	\$0 or Up to (\$6,217,367)
Total Estimated Net Effect on General Revenue	\$0 or Up to (\$6,196,383)	\$0 or Up to (\$6,213,686)	\$0 or Up to (\$6,217,367)

*Oversight notes the program is subject to appropriation; therefore the range of the fiscal impact is noted as "\$0 or".

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Upskill Credential Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Oversight assumes, for purpose of this fiscal note that appropriations to the Upskill Credential Fund will be used in the year appropriated and the Fund will net to zero each fiscal year.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to the previous version of the bill, officials from the **Department of Economic Development (DED)** assumed section 620.2500 creates a new provision that provides grants to employers to encourage employees to obtain upskill credentials. DED may distribute reimbursement to any qualifying employer not to exceed two thousand dollars for each employee who obtains upskill credentials, provided that no qualifying employer shall receive more than thirty thousand dollars under this section in any calendar year. The department shall evaluate employers on a competitive basis and distribute an equal number of awards within 3 groups based on the number of employees of qualifying employers (Groups: 1-50 employees; 51-200 employees; 201 or more employees).

DED has determined that costs and the impact on TSR could be significant as a result of this program, and that more information is needed in regards to the parameters of the program before an estimated cost can be derived.

DED will need to hire 2.0-3.0 FTE to administer the program. DED does not have existing budget authority that can absorb the cost.

Oversight notes that according to the article posted in [Missouri One Star Program 2020](#), there were 47,000 employees across 234 companies trained throughout this program in 2020.

Oversight notes that [The American Upskilling Study](#) states: "...most workers (57%) are very or extremely interested in participating in training to upgrade their skills or to learn new skills that could help them advance their career. When that training is free and workers are paid while doing it (as they would be during work), interest goes up to 71%. By contrast, 47% of workers are interested in training at a college or university." In summary employer's interest for upskilling their workforce is only growing.

Oversight assumes that the DED's request for additional FTE is plausible. Therefore, Oversight will reflect the lower estimated projection of 2 FTE (Economic Development Specialists at \$63,192 with fringe benefits and equipment and expense annually) in the fiscal note.

Oversight notes the Colorado Workforce Development Council announced a similar program – \$2.25 million in funding to support up to 1,200 individuals to earn an industry-recognized credential during the grant period. However, Ohio also has a similar program through their Department of Development called TechCred. According to an article from [Ohiohighered.org](#), "TechCred is one of Ohio's most successful business-education partnerships. This innovative program is designed to qualify workers for new jobs in the technology-infused economy. The program has already supported more than 23,723 new credentials and certificates to date." It appears that Ohio has a \$30 million appropriation over the next two year period (\$15 million per year). Since Ohio's program and the program described in the bill appear to be very similar, Oversight will utilize \$15 million per year as an estimate, reduced to Missouri population -

\$8,000,000. The actual appropriation amount may not exceed \$6,000,000 in any fiscal year (subsection 620.2500.7).

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposed legislation creates the "Upskill Training Fund" in the state treasury for training reimbursement to employers who meet upskill credentials. Moneys for the fund shall be appropriated by the general assembly, which shall not exceed \$6M per fiscal year. The Department of Economic Development (DED) may distribute the funds to qualified employers not to exceed two-thousand dollars for each employee, and thirty-thousand dollars for each employer per fiscal year. DED shall also design the application form for qualifying employers to apply for training reimbursement. DED shall reserve 33 1/3% of funds to be awarded to qualifying employers with at least one, but not more than fifty employees, and 33 1/3% for qualifying employers with at least fifty-one, but not more than two hundred employees. All reserved amounts under this subdivision that are not issued or awarded by March first of the fiscal year shall no longer be reserved and may be issued to any employer otherwise eligible in this section. To the extent appropriations are made for this program, resources may be reduced for other budget priorities.

Oversight assumes B&P is provided with core funding to handle a certain amount of activity each year. Oversight notes pointing out that grant appropriations would compete with other programs for state monies available and assumes B&P would still be funded at sufficient levels to accomplish current duties.

In response to the previous version of the bill, officials from the **University of Central Missouri** assumed this proposal would have an indeterminate fiscal impact depending on if UCM's programs constitute the requisite "credentials" and if so, if there is an increase of students in those programs.

Oversight notes that officials from above organization assume the proposal will have a positive fiscal impact on their organization.

Oversight notes the proposal's Sections 620.2500.1(3) and 620.2500.1(4) exclude public bodies from participating in this program. These would include public elementary and secondary school and community colleges, colleges and universities which receive public funds. Therefore, **Oversight** will note zero impact for above organizations in the fiscal note.

Oversight notes that Section 620.2500 7 creates an Upskill Credential Fund, which shall consist of money appropriated to the fund by the general assembly, not to exceed six million dollars in any fiscal year, and any funds accepted from other sources, which shall not be limited in any fiscal year. Therefore, **Oversight** will note the fiscal impact up to \$6M to the general revenue fund in the fiscal note.

Lastly, **Oversight**, for purposes of this fiscal note, will note the Upskill Credential Fund will net to zero with the money being disbursed to various qualifying companies and using the fund for designated purpose of Upskilling employees throughout Missouri.

Oversight notes the HCS adds clarification language in regards to certain industry exclusions and qualifications for the upskill tax credit under the proposal.

Officials from the **Department of Revenue**, the **Missouri Department of Health and Senior Services**, the **Office of Administration**, the **Missouri Department of Agriculture**, the **City of Jefferson City**, the **City of Saint Louis – Budget Division**, the **Missouri University System**, the **City of Kansas City**, the **Jackson County Commissioner**, and the **City of Springfield** each assume the proposal would not have a direct fiscal impact on their respective organizations.

Oversight notes that officials from above organizations assume the proposal will have no fiscal impact on their respective organizations. Therefore, **Oversight** will note zero impact for above organizations in the fiscal note.

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 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
Revenue Transfer Out– Section 620.2500 – into Upskill Credential Fund (p.4)	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)

<u>Cost – DED – 2 FTE - Section 620.2500 – Administration Of Tax Credit Program</u>	\$0 or.....	\$0 or.....	\$0 or....
Personnel Services	(\$105,320)	(\$128,912)	(\$131,490)
Fringe Benefits	(\$59,965)	(\$72,805)	(\$73,669)
Equipment & Expense	(\$31,098)	(\$11,969)	(\$12,208)
<u>Total Cost - DED</u>	<u>(\$196,383)</u>	<u>(\$213,686)</u>	<u>(\$217,367)</u>
Total FTE – DED (p.3,4)	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or Up to (\$6,196,383)</u>	<u>\$0 or Up to (\$6,213,686)</u>	<u>\$0 or Up to (\$6,217,367)</u>
UPSKILL CREDENTIAL FUND			
<u>Revenue Gain – Transfer In from GR – Section 620.2500 7.(1) (p.5)</u>	\$0 or Up to \$6,000,000	\$0 or Up to \$6,000,000	\$0 or Up to \$6,000,000
<u>Cost – Section 620.5000 5. (1) –(4) – Disbursement of award to qualified companies (p.5)</u>	\$0 or Up to <u>(\$6,000,000)</u>	\$0 or Up to <u>(\$6,000,000)</u>	\$0 or Up to <u>(\$6,000,000)</u>
ESTIMATED NET EFFECT ON UPSKILL CREDENTIAL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses may be eligible for grants if they choose to upskill their respective workforce and comply with the rules under the proposal.

FISCAL DESCRIPTION

This bill allows the Department of Economic Development (DED) to disburse grants to qualifying employers for each employee or prospective employee who obtains upskill credentials, as defined in the bill.

This bill establishes the "Upskill Credential Training Fund" which consists of moneys appropriated by the General Assembly not to exceed \$6 million per fiscal year.

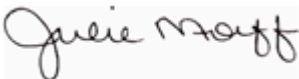
No qualifying employer shall receive more than \$30,000 in any fiscal year. In order to receive such grants a qualifying employer is required to submit an application to DED as provided in the bill.

At the close of each application period, to be determined by DED, applications will be evaluated and preliminary awards for reimbursement may be made. In making preliminary awards of reimbursement, the DED shall reserve 33.3% to award exclusively to qualifying employers with at least one but not more than 50 employees; and 33.3% to award exclusively to qualifying employers with at least 51 but no more than 200 employees. Any amount that is reserved and not awarded by March 1st of the fiscal year may be issued to any employer eligible for an award.

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
Office of Administration – Budget & Planning
Department of Health and Senior Services
Department of Revenue
Missouri Department of Agriculture
Missouri Department of Conservation
Office of Administration
University of Central Missouri
Missouri University System
City of Kansas City
City of Springfield
Joint Committee on Administrative Rules
Office of the Secretary of State



Julie Morff
Director
February 8, 2023



Ross Strope
Assistant Director
February 8, 2023