

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4603H.011
 Bill No.: HB 2278
 Subject: Education, Higher; Department of Higher Education and Workforce Development
 Type: Original
 Date: February 20, 2024

Bill Summary: This proposal modifies provisions governing the "Fast Track Workforce Incentive Grant".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 to (\$620,000)	\$0 to (\$651,000)	\$0 to (\$684,000)
Total Estimated Net Effect on General Revenue	\$0 to (\$620,000)	\$0 to (\$651,000)	\$0 to (\$684,000)

* The Fast Track Grant is subject to appropriation. If changes to the program are not funded, the impact will be \$0.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Fast Track Workforce Incentive Grant*	\$0	\$0	\$0
College & University	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

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

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	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 2025	FY 2026	FY 2027
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

§173.2553 – Fast Track Workforce Development Grant

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state, currently, the income thresholds for Fast Track participants are set at \$80,000 adjusted gross income (AGI) for those married or 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 or filing jointly and \$50,000 for all other filing statuses. In addition, it would require the DHEWD to annually adjust those AGI thresholds based on inflation.

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 DHEWD believes those individuals are included, though likely undercounted, in the 12 percentage point change.

Therefore, the DHEWD estimates that there will be 1,330 Fast Track recipients in FY 2025, and adding 12 percent to this base, as a result of raising the income thresholds, would increase the number of recipients by 160 students. The average Fast Track award in FY 2023, which is the most recent data available, was \$3,692, and the DHEWD estimates the fiscal impact to be approximately \$590,720 (160 students * \$3,692).

While these are conservative estimates, and likely underestimate 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 DHEWD estimates the fiscal impact for FY 2025 to be between zero and \$620,000. Assuming an annual inflationary increase of five percent per year, the fiscal impact for FY 2026 would range from zero to \$651,000 and for FY 2027 would range from zero to \$684,000.

It is DHEWD's understanding that this bill will go into effect August 28, 2024 (if passed and signed), and the increases to AGI of \$100,000 and \$50,000 will be the thresholds for the 2025 fiscal/award year. Additionally, the bill states that starting on January 1, 2025, the department will annually adjust those AGI thresholds based on inflation, which DHEWD interprets to mean for the following fiscal year (starting on July 1, 2025 for FY 2026).

Oversight notes, as provided in DHEWD's 2025 Budget Request, the Fast Track Workforce Incentive Grant was created by Senate Bill 68 (2019) and provides assistance to adults who are seeking to upgrade or retool their skills in order to enter high demand, high wage occupations.

Amendments to the program in Senate Bill 672 (2022) increased the number of eligible training providers, expanded the grant to apprenticeships, and removed the loan-related requirements. Students in programs or apprenticeships in an area designated by the Coordinating Board for Higher Education as preparing individuals to enter these occupations and leading to receipt of a certificate, degree, or industry-recognized credential are eligible. Students must be enrolled at least half-time and apprentices must be actively participating in an eligible apprenticeship to be eligible for the grant. Awards under the program cover the amount of tuition and fees remaining after all other governmental non-loan student assistance is applied or, for apprentices, the amount of related educational costs. For students, if all tuition and fee costs are covered by other aid, the award is up to \$500 per term or the remaining cost of attendance, whichever is lower. In FY2023 the average award was \$3,692.

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

Officials from the **University of Missouri System** state the proposed legislation could have a financial impact on the University of Missouri should any awards be made through appropriations/grants and/or additional students are enrolled.

Officials from the **University of Central Missouri (CMU)** state the proposal will have an indeterminate fiscal impact that may have positive gains as the income cap has increased so more potential students qualify and so more may enroll at UCM to take advantage of the funds.

Officials from **Missouri State University** and **Northwest Missouri State University** assume 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.

Oversight has no information to the contrary and assumes Colleges and Universities, as well as Community Colleges, that provide certificates, or apprentice programs or industry-recognized credentials will have a positive fiscal impact as a result of this proposal. However, since the Fast Track Workforce Incentive Grant is subject to appropriation, Oversight will range the income from \$0 to Unknown.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Transfer-out – to Fast Track Workforce Incentive Grant Fund – DHEWD (§173.2553) – increase in number of grant recipients due to increase in AGI thresholds p.3</u>	\$0 to (\$620,000)	\$0 to (\$651,000)	\$0 to (\$684,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 to (\$620,000)</u>	<u>\$0 to (\$651,000)</u>	<u>\$0 to (\$684,000)</u>
FAST TRACK WORKFORCE INCENTIVE GRANT FUND			
<u>Transfer-in – from General Revenue Fund (§173.2553) - increase in grants provided to qualifying recipients p.3</u>	\$0 to \$620,000	\$0 to \$651,000	\$0 to \$684,000
<u>Costs – DHEWD (§173.2553) – increase in grants to students p.3-4</u>	\$0 to (\$620,000)	\$0 to (\$651,000)	\$0 to (\$684,000)
ESTIMATED NET EFFECT ON THE FAST TRACK WORKFORCE INCENTIVE GRANT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
COLLEGE & UNIVERSITY FUNDS			
<u>Income – College & University Funds (§173.2553) – increase in tuition and fees received p.4</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026	FY 2027
LOCAL GOVERNMENTS – COMMUNITY COLLEGES			
<u>Income</u> – Community Colleges (§173.2553) – increase in tuition and fees received p.4	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT – Small Business

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

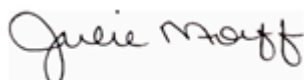
FISCAL DESCRIPTION

Beginning January 1, 2025, 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, adjusted annually based on inflation.

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 Higher Education and Workforce Development
 University of Missouri System
 Missouri State University
 Northwest Missouri State University
 University of Central Missouri



Julie Morff
 Director
 February 20, 2024



Ross Strobe
 Assistant Director
 February 20, 2024