

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1763S.02C
Bill No.: SCS for HB 742
Subject: State Departments
Type: Original
Date: March 27, 2025

Bill Summary: This proposal prohibits expenditures by state departments for certain diversity initiatives.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§1.2030 – Diversity, Equity and Inclusion Provisions

Officials from the **Department of Mental Health (DMH)** assume Section 1.2030.1 states no funds shall be expended by any state department for intradepartmental programs, staffing or other initiatives associated with “diversity, equity, and inclusion” or “diversity, inclusion, and belonging” that promotes the following:

- (1) Preferential treatment of anyone based on race, color, religion, sex, gender, sexual orientation, ethnicity, national origin or ancestry.
- (2) Concept that disparities between groups are the result of oppression.
- (3) Collective guilt ideologies.
- (4) Intersectional or divisive identity activism.
- (5) Limiting of freedom of conscience, thought or speech. Subsection 2 states the provisions of subsection 1 shall not prohibit state departments from following federal and state employment and anti-discrimination laws or complying with the Americans with Disabilities Act. Subsection 3 states no state department shall mandate, require or incentivize private sector employers to implement programs described in subsection 1 as a condition of awarding a state contract.

The Value Based Payment learning path follows the National Direct Support Professional (DSP) best practices which includes multiple diversity-equity-inclusion trainings and would be in conflict with the proposed language. Additionally, communication from Centers for Medicare & Medicaid Services (CMS) concerning their priority of health equity and future potential programmatic requirements would create a situation where this statute change would jeopardize federal program match funding, if put into place. The Department of Mental Health (DMH) inpatient facilities are accredited by the Joint Commission (TJC) and Center for Medicare/Medicaid Services (CMS). Loss of accreditation by our facilities would result in the loss of federal funding of approximately \$236,824,671.

DMH additionally offers training for various clinical disciplines. Loss of training sites would lead to further shortages in clinical disciplines, and it may cause a safety issue to individuals in DMH care if at the last minute there are providers we can no longer contract with. This may cause an unknown GR impact to the department and a potentially significant loss of federal funds.

The anticipated fiscal impact for FY26 would be Unknown, for FY27 Unknown and FY28 Unknown. For federal, FY26 the anticipated fiscal impact is \$0 – (\$236,824,671), for FY26 \$0 – (\$236,824,671) and FY27 is \$0 – (\$236,824,671).

Oversight assumes this proposal limits funds being used by any state department that promote preferential treatment based on certain characteristics, concepts such as oppression as the sole cause of disparities, collective guilt ideologies, intersectional or divisive identity activism, and the limiting of freedom of conscience, thought, or speech. Oversight assumes these limitations would not interfere with any federal accreditation or create a shortage of clinical disciplines; therefore, Oversight will not reflect a cost as result of this proposal.

Officials from the **Office of Administration** state this bill could potentially be construed as conflicting with several existing statutes and an executive order that require preferences for certain vendors or types of materials. Examples of statutes and the executive order that this bill could potentially interpreted as conflicting with, include, but are not limited to the following:

- Section 34.070 - Preference to Missouri products and firms
- Section 34.074, RSMo - Service disabled veterans preference
- Section 34.165, RSMo - preference to the blind/sheltered workshops
- Sections 34.350-34.359, RSMo - Domestic Products Procurement Act
- Section 37.020, RSMo and Executive Order 15-06 - minority and women's business enterprises
- Section 290.210 -.340, RSMo - Wage Rates on Public Works (Prevailing Wage)

Additionally, this bill may prohibit certain vendors from bidding on state contracts.

Oversight assumes the limitation in this proposal would not interfere or conflict with existing statutes and would not prohibit bids with certain vendors for state contracts.

In response to a previous version, officials from the **Office of the State Courts Administrator (OCSA)** stated there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Oversight does not anticipate an impact to OSCA. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Public Safety - Missouri Highway Patrol**, the **Department of Public Safety - State Emergency Management Agency**, the **MoDOT & Patrol Employees' Retirement System**, the **Missouri House of Representatives**, the **Legislative Research**, the **Oversight Division**, the **Missouri Senate**, the **Missouri Office of Prosecution Services** and the **State Tax Commission** 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 previous version, officials from the **Attorney General's Office**, the **Office of Administration - Administrative Hearing Commission**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**,

the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, and Veterans Commission)**, the **Missouri National Guard**, the **Department of Social Services**, the **Office of the Governor**, the **Joint Committee on Administrative Rules**, the **Joint Committee on Public Employee Retirement**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Missouri Department of Conservation**, the **Missouri Ethics Commission**, the **Department of Transportation**, the **Office of Administration**, **Office of Administration - Budget and Planning**, the **Office of the State Auditor**, the **Office of the Secretary of State**, the **Office of the State Public Defender** and the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **Department of Health and Senior Services** defer to the Office of Administration for the potential fiscal impact of this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

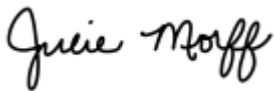
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Commerce and Insurance
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Office of the Director
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
 Missouri Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Public Employee Retirement
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Local Government Employees Retirement System
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Missouri Department of Transportation
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
 Administrative Hearing Commission
 Budget and Planning

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Facilities Management, Design and Construction
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Public Schools and Education Employee Retirement Systems
State Tax Commission



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