

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4305H.02I
 Bill No.: HB 2123
 Subject: Higher Education; Department of Higher Education and Workforce Development
 Type: Original
 Date: March 9, 2026

Bill Summary: This proposal modifies provisions governing funding for higher education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	\$0 to (Likely to exceed \$37,000,000)	\$0 to (Likely to exceed \$38,900,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (Likely to exceed \$37,000,000)	\$0 to (Likely to exceed \$38,900,000)

*Oversight assumes that the net effect is from the additional funding (subject to appropriation) that will be needed by the Department of Higher Education and Workforce Development to cover changes to the Bright Flight program and to implement a performance funding model.

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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or Unknown	\$0 or Unknown

*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.

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
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 2027	FY 2028	FY 2029
Local Government	\$0	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **University of Missouri System** did not respond to **Oversight’s** request for fiscal impact for this proposal.

§173.250 - Higher Education Academic Scholarship Program

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state that this bill, among other things, makes significant changes to §173.250 which establishes the Higher Education Academic Scholarship program, commonly known as Bright Flight. Specifically, it creates a new section (10) which, starting with the 2027-28 academic year, changes the award to a set amount (either \$1,000 or \$3,000) to a tuition award for students who score in the top five percent of test takers in Missouri. The bill also requires students to be enrolled in a Fast Track eligible program following their first two years to continue receiving the award (for up to an additional six semesters).

Historically, most Bright Flight recipients attend a public 4-year institution (77.6%), with 20.4% attending a private 4-year, 1.97% attending a public 2-year, and 0.03% attending a private 2-year institution. According to IPEDS, average tuition for participating institutions in each sector amounts to \$25,720 for private 2-years, \$29,779 for private 4-years, \$5,329 for public 2-years, and \$10,025 for public 4-years. For fiscal year 2028, the department estimates that there will be 6,750 Bright Flight recipients. While the bill references in-state tuition, there does not appear to be language that prohibits students from attending private institutions and receiving full tuition awards.

Bright Flight can be used for up to 10 semesters (or 5 academic years), and trend data shows that 45% of recipients are in years 1 or 2. Additionally, around 41% of Bright Flight recipients are enrolled in a Fast Track eligible program, which is applicable to the remaining 55% percent of students in years 3 through 5. Using these percentages for FY 2028, the department estimates spending \$42.4 million on around 3,038 students in their first two years and \$21.3 million for 1,522 students in their remaining years of eligibility and are enrolled in a Fast Track eligible program, resulting in \$63.7 million.

Years 1-2

Sector	Number of Recipients	Percentage of Recipients per Attending Sector	Number of Recipients per Sector	Average Tuition Cost per Sector	Sector Cost
Public 4 Year	3038	77.6%	2,357	\$10,025	\$23,628,925
Public 2 Year	3038	1.97%	60	\$5,329	\$319,740
Private 4 Year	3038	20.4%	620	\$29,779	\$18,745,380
Private 2 Year	3038	0.03%	1	\$25,720	\$25,720
TOTAL					\$42,449,765

Years 3-5

Sector	Number of Recipients	Percentage of Recipients per Attending Sector	Number of Recipients per Sector	Average Tuition Cost per Sector	Sector Cost
Public 4 Year	1522	77.6%	1,181	\$10,025	\$11,839,525
Public 2 Year	1522	1.97%	30	\$5,329	\$159,870
Private 4 Year	1522	20.4%	310	\$29,779	\$9,237,690
Private 2 Year	1522	0.03%	1	\$25,720	\$25,720
TOTAL					\$21,262,805

Since the current appropriation is set at \$26.7 million, the difference would require an additional \$37 million dollars to cover the changes to Bright Flight.

Because these changes are set to go into effect for FY 2028, and are subject to appropriation, the department estimates no fiscal impact to FY 2027, and an impact between zero and \$37 million for FY 2028. Assuming a five percent increase in tuition costs, the department estimates a fiscal impact between zero and \$38.9 million in FY 2029. The department also anticipates that in the long run, these changes will induce students to change their behavior, and more students will stay in the state to use the program, and change majors to a Fast Track eligible program, both of which could greatly increase the cost of the program.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as \$0 (subject to appropriation) or More or less than the amounts provided by the DHEWD in the fiscal note.

Officials from **Northwest Missouri State University (NWMSU)** state that the Directing Scholarship awards will negatively impact an institution's overall scholarship model based on "merit" and "need" requirements. Estimating the fiscal impact is not feasible as it would more than likely impact total enrollment by redirecting funds that would result in losing some student populations.

Oversight assumes that this proposal is an expansion of the existing program and will not affect colleges and universities. Oversight further assumes that any administrative costs to colleges and universities can be absorbed and will show no impact for fiscal note purposes.

§173.1541 - Missouri Higher Education Funding Policy Prioritization Act

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state that Section 173.1541, which would be created by the bill, establishes a process to redesign the method used to fund Missouri's public higher education institutions. The bill requires, among other things, that the new process be based on a 2023 study commissioned by the department. The bill also establishes a timeframe for the design, testing, and implementation of the new model. Since the bill does not change the current funding approach, the department does not

anticipate additional costs related to implementing this legislation as the required work can be conducted by existing staff and other resources.

Officials from **Northwest Missouri State University (NWMSU)** state there is a potential for a positive fiscal impact dependent on the final model and approval. DHEWD FactBook shows that Northwest has the lowest funded state appropriations per FTE (FY 2022) and also per Degree Completion (FY 2022 and FY 2021) 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.

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

Responses regarding the proposed legislation as a whole

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

Officials from the **Missouri House of Representatives and Missouri Senate** 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 for this agency.

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 – DHEWD (\$173.250) Additional funding to cover changes to Bright Flight p.3-4</u>	\$0	\$0 to \$37,000,000)	\$0 to \$38,900,000)
<u>Cost – DHEWD (\$173.1541) Performance funding model</u>	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 to (Likely to exceed \$37,000,000)	\$0 to (Likely to exceed \$38,900,000)
COLLEGE & UNIVERSITY FUNDS			
<u>Revenue Gain - (\$173.1541) Performance funding model</u>	\$0	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	\$0	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
COMMUNITY COLLEGES			
<u>Revenue Gain - (\$173.1541) Performance funding model</u>	\$0	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON COMMUNITY COLLEGES	\$0	\$0 or Unknown	\$0 or Unknown

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill modifies the "Higher Education Academic Scholarship Program" to increase the scholarship award beginning in the 2027- 28 academic year from \$3000 to full in-state tuition for the student's first four semesters.

A student currently enrolled in an eligible program may renew for an additional six semesters if they are enrolled in an "eligible program of study" as defined under Section 173.2553 RSMo.

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 higher education public institutions.

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 2023 study commissioned by the Department, 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 Department 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 August 31, 2026.

A report on the effectiveness of the model test must be submitted to the Speaker of the House, President Pro Tem of the Senate and the Governor before October 15th, 2026. The funding model must be approved by the Board before November 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.

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

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SOURCES OF INFORMATION

Department of Higher Education and Workforce Development

Missouri House of Representatives

Northwest Missouri State University

University of Central Missouri



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March 9, 2026



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March 9, 2026