

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5053H.011
 Bill No.: HB 1998
 Subject: Education, Elementary and Secondary; Higher Education; Department of
 Elementary and Secondary Education; Department of Higher Education and
 Workforce Development
 Type: Original
 Date: January 27, 2026

Bill Summary: This proposal prohibits educational institutions from using state funding for diversity, equity, and inclusion purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(\$148,080) to Unknown	(\$174,704) to Unknown	(\$177,871) to Unknown
Total Estimated Net Effect on General Revenue	(\$148,080) to Unknown	(\$174,704) to Unknown	(\$177,871) to Unknown

*Oversight notes the unknown revenue is from educational institutions with DEI violations having to repay state funding and having current and subsequent funding suspended until the DEI violation has been corrected which could exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Colleges and Universities*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on Other State Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight reflects the impact to educational institutions with DEI violations having to repay state funding and having current and subsequent funding suspended until the DEI violation has been corrected which could exceed the \$250,000 threshold.

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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

* Oversight reflects the impact to educational institutions with DEI violations having to repay state funding and having current and subsequent funding suspended until the DEI violation has been corrected.

FISCAL ANALYSIS

ASSUMPTION

§160.2560 – Defunding Diversity, Equity, and Inclusion in Elementary and Secondary Education Act

Officials from the **Department of Elementary and Secondary Education (DESE)** state that §§160.2560 and 173.2560 would require the department to monitor spending to ensure no state funds are used for the implementation, teaching, or support of diversity, equity, and inclusion (DEI) programs or initiatives. The monitoring of spending and programs would require an FTE coordinator along with associated salary, expenses and equipment. This individual would be responsible for ensuring violations did not occur and if/when they did would work with the local education agencies (LEA's) to rectify the violation. In addition, they would respond to complaints and develop/submit the report as outlined.

Currently payments can be withheld from districts that violate the guidelines as written however DESE cannot estimate the potential savings to the state as it is unknown how many, if any, violations would occur.

Oversight does not have any information to the contrary. Therefore, Oversight will show the estimated impact of 1 FTE and a \$0 or unknown potential savings provided by DESE in the fiscal note.

Officials from **High Point R-III** state that the proposed legislation would have a fiscal impact but did not provide any additional information.

Oversight notes that this provision may cause educational institutions that use state funding for the implementation, teaching or support of DEI programs to have to repay the state funding and also have current and subsequent funding suspended until the DEI violation has been corrected. Oversight will range the fiscal impact to school districts from \$0 (no DEI violation) to an unknown cost for DEI violations in the fiscal note.

§173.2560 - Defunding Diversity, Equity, and Inclusion in Higher Education Act

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** 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.

Officials from the **University of Central Missouri** state that the fiscal impact is Unknown but likely negative. The types of programs, courses, curriculum or initiatives intended to be regulated are not defined in the current bill language. Universities are required by federal law (American

with Disabilities Act) and State of Missouri law (Missouri Human Rights Act) to provide "equitable" access to university programs for students, employees and visitors with disabilities, which necessitates training of employees that engage with students, employees and visitors.

Failure to properly administer these laws could result in the loss of federal funds and/or levying fines. Further, Title IX (federal) provisions require the equitable treatment of male and female athletes, which includes training for senior administrators and coaches regarding use of funds and the impact of decision-making on gender equity; an inability to train could result in loss of federal funds and/or fines for failure to comply.

Finally, the current bill language does not extend protections for traditional classroom instruction, which seemingly prohibits discussion of important concepts such as the ADA, Missouri Human Rights Act and Title IX, nor are there protections for institutions when faculty are acting on their own and engaged in free speech. These limitations could lead to claims against the institution that are de facto baseless but are costly to defend.

Officials from the **University of Missouri System** state that the University of Missouri has reviewed this proposed legislation and does not anticipate a significant financial impact.

Oversight notes that this provision may cause educational institutions that use state funding for the implementation, teaching or support of DEI programs to have to repay the state funding and also have current and subsequent funding suspended until the DEI violation has been corrected. Oversight will range the fiscal impact to community colleges, colleges, and universities from \$0 (no DEI violation) to an unknown cost for DEI violations that could exceed the \$250,000.

Responses regarding the proposed legislation as a whole

Officials from the **Office of the State Treasurer (STO)** state that there is no identifiable impact on STO. Oversight will not reflect a fiscal impact to the organization in the fiscal note.

Officials from the **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 for this agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local agencies 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Savings</u> – (§§160.2560 & 173.2560) State funding recovered from educational institutions that violate DEI guidelines. p.3-4	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost - DESE</u> (§160.2560) p.3			
Personnel Service	(\$84,084)	(\$102,919)	(\$104,977)
Fringe Benefits	(\$47,432)	(\$57,730)	(\$58,558)
Expense & Equipment	(\$16,564)	(\$14,055)	(\$14,336)
<u>Total Cost – DESE</u>	<u>(\$148,080)</u>	<u>(\$174,704)</u>	<u>(\$177,871)</u>
FTE Change - DESE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$148,080) to Unknown</u>	<u>(\$174,704) to Unknown</u>	<u>(\$177,871) to Unknown</u>
COLLEGES AND UNIVERSITIES			
<u>Cost</u> – (§173.2560) State funding suspension and repayment from schools that have a DEI violation. p.3-4	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES	<u>\$0 or (Unknown)</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>Cost – School Districts (§160.2560)</u> State funding suspension and repayment from schools that have a DEI violation. p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost – Community Colleges (§173.2560)</u> State funding suspension and repayment from schools that have a DEI violation. p.3-4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or (Unknown)	\$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 creates the "Defunding Diversity, Equity, and Inclusion in Elementary and Secondary Education Act" and the "Defunding Diversity, Equity, and Inclusion in Higher Education Act". The bill provides definitions for "Diversity, Equity, and Inclusion" or "DEI" and requires that educational institutions no longer use state funding for the implementation, teaching, or support of DEI programs or initiatives.

The bill requires any educational institution that uses state funding for a prohibited program to repay the funding. Offending institutions will also have funding suspended in the current fiscal year and in subsequent years until the DEI violation is fixed.

The bill requires that the Department of Higher Education and Workforce Development and the Department of Elementary and Secondary Education issue an annual report on the number of violations and the amount of state funding recovered due to DEI violations.

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 Elementary and Secondary Education
Department of Higher Education and Workforce Development
Office of the State Treasurer
University of Missouri System
High Point R-III
Northwest Missouri State University
University of Central Missouri



Julie Morff
Director
January 27, 2026



Jessica Harris
Assistant Director
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