COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 7040H.01I
Bill No.: HB 3221
Subject: Higher Education; Federal - State Relations
Type: Original
Date: April 6, 2026

Bill Summary: This proposal prohibits state funding for low-earning outcome degree programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	$20,945,360	$25,134,869	$25,132,937
Total Estimated Net Effect on General Revenue	**$20,945,360**	**$25,134,869**	**$25,132,937**

*Oversight assumes that the net effect is from the cost associated with the 1 FTE requested by the Department of Higher Education and Workforce Development for a Program Specialist along with the savings for the funds that are no longer allocated for state student assistance and the savings for the funds that are no longer allocated for low-earning outcome programs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Colleges and Universities	($21,039,882)	($25,247,858)	($25,247,858)
Total Estimated Net Effect on Other State Funds	**($21,039,882)**	**($25,247,858)**	**($25,247,858)**

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 All 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	**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**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§173.1530 – "The Accountability for Low-Earning Outcome Degrees in Higher Education Act of 2026"

Officials from the **Department of Higher Education and Workforce Development** state that this legislation would create a new statutory section (173.1530) requiring the Coordinating Board for Higher Education to promulgate rules to prohibit Missouri colleges and universities and any state agency from allocating or expending state funds, directly or indirectly, for programs that meet the federal definition of "low-earning outcome programs" as defined in Section 84001 of Public Law 119-21 (aka One Big Beautiful Bill).

It is assumed the prohibition of expending state funds would be limited in scope to public institutions as Missouri's non-public institutions do not typically receive direct appropriation of state funds. The impact at these institutions would be limited to the participation of their students in state funded student financial aid programs. It is also assumed that the impact on core appropriations to public institutions would be equal to the proportion of total programs offered that are identified by the federal government as meeting the definition of a low-earning program. Because it is impossible to project special appropriations to institutions by the General Assembly, the impact on such funding is unknowable. Because Missouri does not have an established structure related to funding for new construction or ongoing capital maintenance at public higher education institutions, the impact on those funds is also unknown.

As to the "low-earning" definition, for undergraduate programs, the median earnings of Title IV-funded program completers must exceed the median earnings of working high school graduates aged 25 – 34 in the state where the institution is located (or nationally depending on program size) who did not attend college during the year of the measured earnings. For graduate programs, including graduate certificates, the median earnings of Title IV-funded program completers must exceed the lowest of three benchmarks: the median earnings of working bachelor's degree recipients aged 25 – 34 (not enrolled in postsecondary education during the measured earnings year) either statewide, in the same field of study within the state or in the same field nationwide. Earnings of program graduates are assessed in the fourth tax year after program completion regardless of age or work engagement (full-time, part-time, occasional, etc.), using data from federal agencies such as the IRS and Social Security Administration. A cohort of at least 30 completers is required for a single-year calculation, and smaller cohorts may be assessed over an extended period. These provisions become operational at the federal level on July 1, 2026. However, because the timing of full federal implementation is not known, due to data and other related issues, it is unclear when the U.S. Department of Education will begin making determinations of eligibility under the federal statute. For purposes of this fiscal impact statement, it is assumed the initial implementation will begin in state fiscal year 2027.

The HEA Group, a higher education research firm, estimates that nationally two percent of instructional programs will fail the "low-earnings" test. While that impact will likely vary based on program area and degree level, this fiscal impact assumes the two percent failure rate will occur across all programs and, for financial aid, will have a proportional impact on students.

In FY 2025, the most recent complete fiscal year, the Department of Higher Education and Workforce Development disbursed $163,141,582 to 65,962 recipients. Assuming this legislation would make two percent of those students ineligible (1,319 students), that would reduce the total cost of all state student assistance administered by DHEWD to the state by $3,262,832 ($163,141,582 * 2% = $3,262,832).

The legislation would also have a proportional impact on institutional core funding. Assuming the impact would be equal across all institutions and program types, the legislation would result in a core reduction for all public higher education institutions. In FY 2026, public higher education institutions offered approximately 4,000 instructional programs and the General Assembly appropriated a total of $1,099,251,275 for institutional core operations. Assuming two percent of those programs failed the low-earnings test (about 80 programs), the core reduction would be $21,985,026 ($1,099,251,275 * 2% = $21,985,026).

Assuming no increases for FY 2027 or FY 2028 either for student financial aid or institutional core operations, the total savings to General Revenue for FY 2027 and for FY 2028 (including Lottery funds) would be $12,623,929 ($25,247,858/2) for each year. Based on the above assumptions, there would be no additional savings for FY 2029 or future years.

Because of the anticipated issues with the roll out of this requirement at the federal level, it is assumed the impact of this legislation will be spread across the next two fiscal years (FY 2027 and 2028). It is also assumed that all such programs will have been impacted by the funding reductions or eliminated by the institutions by FY 2029 and core funding will be established at a new, lower level.

It is anticipated that DHEWD would need either a 0.5 FTE or a full FTE to manage compliance with this requirement. Despite core cuts, department staff would need to actively monitor institution funding to ensure controls were in place to restrict state funding from low-earning outcome degrees. This would be a Program Specialist position ($61,531.51). Computer, including the device, monitor, docking, etc., are budgeted at $1,782.39 one-time cost, plus a second monitor at $161.20. Ongoing ITSD expenses are estimated at $3,477.98 per FTE, and annual E&E (training, supplies, etc.) is estimated at $5,000. The personnel cost would range between $35,976.54 and $71,953.08.

Oversight assumes that the DHEWD will require 1 FTE for a program specialist in order to manage the compliance associated with the legislation and will reflect that within the fiscal note.

Oversight will reflect the savings from funds no longer allocated for state student assistance to General Revenue for FY 2027 (10 Months) in the amount of $2,719,026 in FY 2028 & FY 2029 in the amount of $3,262,832 along with an associated revenue loss to colleges and universities.

Oversight will reflect the savings from funds no longer allocated for low-earning outcome programs to General Revenue for FY 2027 (10 Months) in the amount of $18,320,855 in FY 2028 & FY 2029 in the amount of $21,985,026 along with an associated revenue loss to colleges and universities.

Officials from the **University of Missouri System (UM)** states that as defined in the bill, the University of Missouri System anticipates that the vast majority (98%+) of UM's academic programs will exceed minimum earnings thresholds, pending initial determinations by the U.S. Department of Education. Thus, the bill will likely have a limited fiscal impact.

Officials from the **Northwest Missouri State University** assume the proposal has the potential for significant financial impact if any programs are classified as low-earning as state funding and aid tied to those programs could be restricted or eliminated and also impacting students in those programs.

Officials from the **University of Central Missouri** state that there is an indeterminate fiscal impact to the university.

Oversight assumes that there could be a negative fiscal impact to colleges, universities, and community colleges due to the decrease in funding due to the institutions having programs that are considered "low-earning outcome programs". For simplicity, Oversight will show the savings to General Revenue.

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

FISCAL IMPACT – State Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
Savings – DHEWD (§173.1530) Funds no longer allocated for state student assistance p.3-5	$2,719,027	$3,262,832	$3,262,832
Savings – DHEWD (§173.1530) Funds no longer allocated for low-earning outcome programs p.3-5	$18,320,855	$21,985,026	$21,985,026
Cost – DHEWD (§173.1530) p.4			
Personal Service	($51,276)	($62,762)	($64,017)
Fringe Benefits	($34,237)	($41,579)	($42,084)
Equipment and Expense	($9,009)	($8,648)	($8,820)
Total Costs – DHEWD	($94,252)	($112,989)	($114,921)
FTE Change – DHEWD	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE	**$20,945,360**	**$25,134,869**	**$25,132,937**
Estimated Net FTE Change to General Revenue	1 FTE	1 FTE	1 FTE
COLLEGES AND UNIVERSITIES			
Revenue Loss - DHEWD (§173.1530) Funds no longer allocated for state student assistance p.3-5	($2,719,027)	($3,262,832)	($3,262,832)
Revenue Loss - DHEWD (§173.1530) Funds no longer allocated for low-earning outcome programs p.3-5	($18,320,855)	($21,985,026)	($21,985,026)
ESTIMATED NET EFFECT ON COLLEGE UNIVERSITIES	**($21,039,882)**	**($25,247,858)**	**($25,247,858)**

FISCAL IMPACT – Local Government	FY 2027 (10 Mo.)	FY 2028	FY 2029
	$0	**$0**	**$0**

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 "Accountability for Low-Earning Outcome Degrees in Higher Education Act of 2026". The bill requires the Coordinating Board of Higher Education to adopt rules that prohibit institutions of higher education and state agencies from allocating or expending funds for low-earning outcome degree programs as described in Federal law.

The bill specifies that funding includes student aid, base operational or institutional funding, grants, and capital or facilities funding. The Board must annually review federal determinations of low-earning degree programs and report to the General Assembly prohibited programs, enforcement efforts, and the estimated fiscal impact due to prohibitions imposed.

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
Northwest Missouri State University
University of Central Missouri

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April 6, 2026

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MR:LR:OD