

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4278S.01I
 Bill No.: SB 672
 Subject: Education, Higher
 Type: Original
 Date: January 11, 2022

Bill Summary: This proposal modifies provisions relating to the fast track workforce incentive grant program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	(\$209,373 to \$3,106,680)	(\$103,480 to \$5,131,503)	(\$105,394 to \$5,384,818)
Total Estimated Net Effect on General Revenue	(\$209,373 to \$3,106,680)	(\$103,480 to \$5,131,503)	(\$105,394 to \$5,384,818)

*This proposal, in addition to expanding the program (to include apprenticeships), removes the Fast-Track sunset date (currently set to sunset on August 28, 2022). Oversight treats these changes similarly – as an expenditure (new or continued) in future years.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§173.2553 - Fast track workforce incentive grant program

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state in general, the proposed legislation would add costs for certain apprenticeships as eligible for awards through the Fast Track program and would eliminate the existing sunset clause.

Several subsections of §173.2553, including parts of subsections 2 through 11, are being amended to add apprenticeships to the Fast Track Workforce Incentive Grant. The proposal would allow eligible individuals that are actively participating in a U.S. Department of Labor approved apprenticeship to have certain education related costs reimbursed through the Fast Track program. To be eligible, the apprentice would need to meet the same requirements as individuals enrolled in eligible postsecondary education coursework, such as being a U.S. citizen or permanent resident, have an adjusted gross income within the program limits, and being 25 years of age or older. The program would reimburse the apprentice for education costs, such as tools, books, and uniforms, related to apprenticeships in occupational areas designated by the Coordinating Board for Higher Education.

At present, there is no definite data on either the number of apprentices that might be eligible for, and take advantage of the Fast Track program or the average costs that would be reimbursable. However, based on apprenticeship data from the Office of Workforce Development within the department relating to the Workforce Innovation and Opportunity Act (WIOA), it is estimated that as many as 500 apprentices would meet the requirements to participate in the program. In addition, that same data suggests that the likely average annual cost that would be reimbursable is \$2,400. Based on those assumptions, this change would require \$1,200,000 ($\$2,400 \times 500$) to fully fund this revision for FY 2023. Assuming a five percent increase per year, the cost for FY 2024 would be \$1,260,000 and for FY 2025 would be \$1,323,000.

In addition, in order to develop the administrative system needed to operate the program, substantial ITSD work will be required. The estimate of the cost to develop an administrative system adequate to administer this addition, including the tracking of residency and employment after completion of the apprenticeship and conversion of the grant to a loan if the program requirements are not satisfied would be \$137,792. Ongoing support costs would be \$28,247 for FY 2024 and \$28,953 for FY 2025.

Subsection 13 of 173.2553 would eliminate the current sunset provision for the program. Without this change, the program would sunset on August 28, 2022 and the statutory section would terminate on December 31, 2023. The estimate of the cost for this component is based on program data for the last two years. Based on a comparison of program operation through November 30 of 2020 and 2021, it appears the program cost for FY 2022 will increase by

approximately 240 percent. Based on that assumption and the fact that the total program cost for FY 2021 (the last complete award year) was \$1,274,255, DHEWD estimates the total program cost for FY 2022 will be \$3,058,212. Since the elimination of the sunset will require continued operation of the program where that would not have been the case if the sunset provision remained, DHEWD would expect the initial impact of the deletion of the sunset to occur in FY 2023. If DHEWD assumes a more modest growth pattern between FY 2022 and FY 2023 of six percent growth in participation and five percent increase in the cost of tuition and fees, the total program cost for FY 2023 would be estimated at \$3,394,615.

Given the sunset language, it is assumed that the cost of removing the sunset for FY 2023, if applications are closed on August 28, 2022, would be approximately half of that amount or \$1,697,308. If the sunset is eliminated, the cost increase would be the remaining half or \$1,697,307 for FY 2023. For FY 2024, assuming growth similar to recent trends, the program cost would be \$3,768,023 ($\$3,394,615 \times 1.11\%$). For FY 2025, assuming only an inflationary increase to cover tuition and fee increases of five percent, the estimated cost would be \$3,956,424.

Since the statute does not mandate the appropriation necessary to fully fund the program, the estimated cost for program distribution would be from zero to \$2,897,307 (\$1,200,000 apprentice reimbursable costs + \$1,697,307 sunset date removal) for FY 2023, zero to \$5,028,023 (\$1,260,000 apprentice reimbursable costs + \$3,768,023 sunset date removal) for FY 2024, and zero to \$5,279,424 (\$1,323,000 apprentice reimbursable costs + \$3,956,424 sunset date removal) for FY 2025. These estimates do not include costs related to ITSD development (referenced above) or the personnel costs (referenced below).

Finally, due to the complexity of administering the addition of payments to and tracking the residency and employment of apprentices, which would be very labor intensive, one additional FTE (Program Specialist, \$43,104 annually) would be needed to administer this program addition.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the range of costs to the General Revenue Fund provided by DHEWD for the grant program and ITSD costs.

Oversight notes the FY 2022 appropriation for the Fast-Track Workforce Incentive Grant program totaled \$5.7 million:

General Revenue	\$3,700,000
Lottery Proceeds Fund	\$1,000,000
DHEWD Federal Emergency Relief Fund	<u>\$1,000,000</u>
Total for FY 2022	\$5,700,000

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

Officials from the **Missouri State University (MSU)** state this bill would have a positive fiscal impact of an undetermined amount.

Officials from the **University of Central Missouri (UCM)** state the proposal could have a potential positive fiscal impact if it leads to students attending the University that could not have, but for the incentive grant.

Oversight assumes the potential positive impact this proposal may have on colleges and universities to be indirect and will not present a fiscal impact related to colleges and universities for fiscal note purposes.

Officials from **St. Charles Community College** 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 that agency.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE			
<u>Costs – DHEWD (\$173.2553)</u>			
Personal service p. 4	(\$35,920)	(\$43,967)	(\$44,846)
Fringe benefits	(\$24,371)	(\$29,535)	(\$29,829)
Equipment and expense	(\$11,290)	(\$1,731)	(\$1,766)
Apprenticeship (new) reimbursable costs p. 3	\$0 to (\$1,200,000)	\$0 to (\$1,260,000)	\$0 to (\$1,323,000)
Increase in program distributions (existing - removal of sunset date) p. 4	\$0 to (\$1,697,307)	\$0 to (\$3,768,023)	\$0 to (\$3,956,424)
Total Costs - DHEWD	<u>(\$71,581 to \$2,968,888</u>	<u>(\$75,233 to \$5,103,256)</u>	<u>(\$76,441 to \$5,355,865)</u>
FTE Change - DHEWD	1 FTE	1 FTE	1 FTE
<u>Costs – ITSD (\$173.2553) p. 3</u>			
System development costs & support	(\$137,792)	(\$28,247)	(\$28,953)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$209,373 to \$3,106,680)</u>	<u>(\$103,480 to \$5,131,503)</u>	<u>(\$105,394 to \$5,384,818)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal could have a positive impact on small businesses if it leads to more students participating in apprentice programs. (§173.2553)

FISCAL DESCRIPTION

This act modifies provisions relating to the Fast Track Workforce Incentive Grant program.

The Coordinating Board for Higher Education shall annually review the list of eligible programs of study and occupations relating to eligible apprenticeships.

Grants shall be awarded in an amount equal to the related educational costs for an eligible apprentice after all other governmental assistance provided for the apprenticeship has been applied.

An eligible apprentice shall be eligible for a fast track grant if he or she maintains active apprentice status, with an interruption of not more than 12 consecutive months from the last day of the most recent payment period during which the student received a grant, along with other criteria set forth in the act.

Finally, this act repeals the sunset of the Fast Track Workforce Incentive Grant program.

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

L.R. No. 4278S.011

Bill No. SB 672

Page 7 of 7

January 11, 2022

SOURCES OF INFORMATION

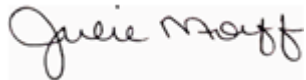
Department of Higher Education and Workforce Development

University of Missouri

Missouri State University

University of Central Missouri


St. Charles Community College



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January 11, 2022



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