

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0834S.02I
 Bill No.: SB 53
 Subject: Employees - Employers; Economic Development; Department of Economic Development
 Type: Original
 Date: January 25, 2023

Bill Summary: The proposal authorizes grants to employers to encourage employees to gain and improve their skills.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	\$0 or Up to (\$6,196,383)	\$0 or Up to (\$6,213,686)	\$0 or Up to (\$6,217,367)
Total Estimated Net Effect on General Revenue	\$0 or Up to (\$6,196,383)	\$0 or Up to (\$6,213,686)	\$0 or Up to (\$6,217,367)

*Oversight notes the program is subject to appropriation; therefore we ranged the fiscal impact as "\$0 or".

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Upskill Credential Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

*Oversight assumes, for purpose of this fiscal note, that appropriations to the Upskill Credential Fund will be distributed from that Fund in the same fiscal year and net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** assume that section 620.2500 creates a new provision that provides grants to employers to encourage employees to obtain upskill credentials. DED may distribute reimbursement to any qualifying employer not to exceed two thousand dollars for each employee who obtains upskill credentials, provided that no qualifying employer shall receive more than thirty thousand dollars under this section in any calendar year. The department shall evaluate employers on a competitive basis and distribute an equal number of awards within 3 groups based on the number of employees of qualifying employers (Groups: 1-50 employees; 51-200 employees; 201 or more).

DED has determined that costs and the impact on TSR could be significant as a result of this program, and that more information is needed in regards to the parameters of the program before an estimated cost can be derived.

DED will need to hire 2.0 - 3.0 FTE to administer the program. DED does not have existing budget authority that can absorb the cost.

Oversight notes that according to the article posted in [Missouri One Star Program 2020](#), there were 47,000 employees across 234 companies trained throughout this program in 2020.

Oversight notes that [The American Upskilling Study](#) “most workers (57%) are very or extremely interested in participating in training to upgrade their skills or to learn new skills that could help them advance their career. When that training is free and workers are paid while doing it (as they would be during work), interest goes up to 71%. By contrast, 47% of workers are interested in training at a college or university.” In summary employers’ interest for upskilling their workforce is only growing.

Oversight assumes that the DED’s request for additional FTE is plausible. Therefore, Oversight will reflect the lower estimated projection of 2 FTE (Economic Development Specialists at \$63,192 with fringe benefits and equipment and expense annually) in the fiscal note.

Oversight notes the Colorado Workforce Development Council announced a similar program – \$2.25 million in funding to support up to 1,200 individuals to earn an industry-recognized credential during the grant period. However, Ohio also has a similar program through their Department of Development called TechCred. According to an article from [Ohiohighered.org](#), “TechCred is one of Ohio’s most successful business-education partnerships. This innovative program is designed to qualify workers for new jobs in the technology-infused economy. The program has already supported more than 23,723 new credentials and certificates to date.” It appears that Ohio has a \$30 million appropriation over the next two year period (\$15 million per year). Since Ohio’s program and the program described in the bill appear to be very similar, Using \$15 million per year as an estimate, reduced to Missouri population - \$8,000,000. The

actual appropriation amount is limited to \$6,000,000 annually and that is the number Oversight will use for fiscal note purposes.

In response to the similar proposal, SB 760 – 2022, officials from the **Office of Administration – Budget & Planning (B&P)** assumed the proposal could have an impact on their organization to the extent appropriations are made for this program, resources may be reduced for other budget priorities.

Oversight notes that any impact on B&P's budget would be an indirect effect of the proposal and assumes B&P is provided with core funding to handle a certain amount of activity each year. Oversight assumes B&P's appropriation will continue to be sufficient to cover B&P's duties.

Officials from the **University of Central Missouri** assume this proposal would have an indeterminate fiscal impact due to uncertainty of application and whether UCM would have "Industry recognized credential" and "upskill credential". UCM employees may have to receive their credentials outside of UCM for UCM to be able to receive reimbursement for employees' eligible credentials.

Oversight notes the proposal's sections 620.2500.1(3) and 620.2500.1(4) exclude public bodies from participating in this program. These would include public elementary and secondary school and community colleges, colleges and universities which receive public funds. Therefore, **Oversight** will note zero impact for above organizations in the fiscal note.

Oversight notes that Section 620.2500 7 creates an Upskill Credential Fund, which shall consist of money appropriated to the fund by the General Assembly, not to exceed six million dollars in any fiscal year, and any funds accepted from other sources, which shall not be limited in any fiscal year.

Oversight notes the proposal will be enacted as of September 28, 2023 (FY 2024); however, the proposal is subject to appropriation from General Assembly. Therefore, **Oversight** will note range from \$0 (monies are not being appropriated to the Upskill Fund by the General Assembly) to \$6 million annually (monies are being appropriated each year by the General Assembly) in the fiscal note beginning of FY 2024.

Lastly, **Oversight**, for purpose of this fiscal note, will note the Upskill Credential Fund will net to zero with the money being disbursed to various qualifying companies and using the Fund for designated purpose of Upskilling employees throughout Missouri.

Officials from the **Department of Labor and Industrial Relations**, the **Department of Health and Senior Services**, the **Department of Revenue**, the **Missouri Department of Conservation**, the **Office of Administration**, the **Missouri Department of Transportation**, the **Missouri Department of Agriculture**, the **Missouri University System**, the **City of Kansas City**, the **City of Springfield** each assume the proposal would not have a direct fiscal impact on their respective organizations.

Oversight notes that officials from above organizations assume the proposal will have no fiscal impact on their respective organizations. Therefore, **Oversight** will note zero impact for above organizations in the fiscal note.

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 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Revenue Transfer Out– Section 620.2500 – into Upskill Credential Fund (p.4)</u>	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)
<u>Cost – DED – 2 FTE - Section 620.2500 – Administration Of Tax Credit Program</u>	\$0 or...	\$0 or...	\$0 or...
Personnel Services	(\$105,320)	(\$128,912)	(\$131,490)
Fringe Benefits	(\$59,965)	(\$72,805)	(\$73,669)
Equipment & Expense	(\$31,098)	(\$11,969)	(\$12,208)
<u>Total Cost - DED</u>	<u>(\$196,383)</u>	<u>(\$213,686)</u>	<u>(\$217,367)</u>
Total FTE – DED (p.3,4)	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or Up to (\$6,196,383)	\$0 or Up to (\$6,213,686)	\$0 or Up to (\$6,217,367)

UPSKIL CREDENTIAL FUND			
<u>Revenue Gain</u> – Transfer In from GR – Section 620.2500 7.(1) (p.5)	\$0 or Up to \$6,000,000	\$0 or Up to \$6,000,000	\$0 or Up to \$6,000,000
<u>Cost</u> – Section 620.5000 5. (1) –(4) – Disbursement of award to qualified companies (p.5)	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)	\$0 or Up to (\$6,000,000)
ESTIMATED NET EFFECT ON UPSKIL CREDENTIAL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses may be eligible for grants if they choose to upskill their respective workforce and comply with the rules under the proposal.

FISCAL DESCRIPTION

This act creates new provisions allowing the Department of Economic Development (DED) to disburse grants to qualifying employers for each employee or prospective employee who obtains upskill credentials, as defined in the act. In order to receive such grants a qualifying employer is required to submit an application to DED, as provided in the act.

In making preliminary awards of reimbursement, an equal number of awards shall be made to the following groups of employers, to the extent possible: those with 1-50 employees; those 51-200 employees; those with more than 200 employees.

Upon being given a preliminary award for reimbursement, each qualifying employer must sponsor a current or prospective employee to obtain an upskill credential within 12 months of the preliminary award. Employees may not commence the process of obtaining the credential until after a preliminary award has been made. Upon obtaining a credential, the employer shall submit proof of the same to DED along with proof that the individual who completed the training is a Missouri resident with a verifiable Missouri address.

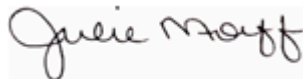
The Upskill Credential Fund is established, consisting of moneys appropriated to it by the General Assembly, not exceeding \$6 million in any fiscal year, as well as moneys accepted from any other source. Any funds not expended remain in the fund.

The act contains a sunset clause.

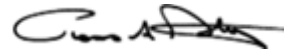
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Department of Economic Development
Missouri Department of Transportation
Office of Administration – Budget & Planning
Department of Health and Senior Services
Department of Revenue
Missouri Department of Agriculture
Missouri Department of Conservation
Office of Administration
Missouri State University
University of Central Missouri
Missouri University System
City of Kansas City
City of Springfield
Joint Committee on Administrative Rules
Office of the Secretary of State



Julie Morff
Director
January 25, 2023



Ross Strobe
Assistant Director
January 25, 2023