

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0945S.01I
Bill No.: SB 163
Subject: Department of Higher Education and Workforce Development
Type: Original
Date: February 20, 2023

Bill Summary: This proposal authorizes the Department of Higher Education and Workforce Development to contract with private entities that offer job training to individuals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (Unknown, greater than \$250,000)	\$0 or (Unknown, greater than \$250,000)	\$0 or (Unknown, greater than \$250,000)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown, greater than \$250,000)	\$0 or (Unknown, greater than \$250,000)	\$0 or (Unknown, greater than \$250,000)

*Although DHEWD stated it cannot determine the cost associated with contracting with private entities to offer job training program tied to an individual's growth in personal income tax liability (including staffing and ITSD support), the language of the bill is permissive and does not require DHEWD to enter into any contracts. Therefore, Oversight has ranged the fiscal impact from \$0 to an unknown amount.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 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	0 or Unknown FTE	0 or Unknown FTE	0 or Unknown FTE
Total Estimated Net Effect on FTE	0 or Unknown FTE	0 or Unknown FTE	0 or Unknown 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

§173.661 – DHEWD authorized to contract with private entities that offer job training

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** state §173.661 creates a new training program tied to an individual's growth in personal income tax liability at the 50% rate when comparing the individual's income tax pre- and post-training.

While the DHEWD already does enter into contracts with private vendors for job training, the federal grant funding has specific terms and conditions that would be in conflict with this bill. These current vendors are selected in compliance with federal grant rules and state statutory mandates.

It is assumed this would have to be funded with state dollars and since it is based upon an individual's state income tax liability, it is assumed this would have a direct impact on state revenues. However, the DHEWD does not have any way to estimate these costs for the following reasons.

- DHEWD does not have access to income tax data and would need to enter into an agreement with the Department of Revenue (DOR) to access the information required in this bill. Additionally, DHEWD would have to handle billing based upon each individual and a standard would not exist for cost estimation;
- DHEWD has no way of knowing what types of training or income level increases could be expected even if the tax information was available;
- There are many things that can affect an individual's personal income tax besides income from an employer; and
- A database system that tracks individuals and their tax liabilities for a 12-year period would need to be developed. Additional information is needed on the types of training programs, etc. to ensure a system is created to track and manage this requirement. At this time, DHEWD does not have enough information from the bill to be able to guide ITSD in determining the developmental costs required.

Given the length of time tracking would occur over, the data needs to determine the payment processing costs, staffing required, the need for ITSD support, and the lack of understanding on the various types of training involved (credentials vs non-credentialed, vs undergraduate or graduate studies), DHEWD assumes the cost would be greater than \$250,000 but cannot determine the cost of the program.

As a result of the factors above, the cost is unknown.

Oversight does not have any information to the contrary. However, Oversight notes the provisions of §173.661 state DHEWD may enter into contracts with private entities to offer job training programs to individuals. Since the provisions are permissive, Oversight will range the fiscal impact of the proposal from \$0 (DHEWD does not enter into any contracts) or a negative Unknown (DHEWD requests funds through the appropriations process AFTER the contractor and DHEWD agree on the terms and conditions of the contract). Oversight assumes the negative unknown fiscal impact could be greater than \$250,000 to General Revenue (GR) if DHEWD enters into any contracts as well as an unknown increase in FTE.

Officials from the **Department of Revenue (DOR)** state this proposal allows DHEWD to contact with job training programs. The contacts can make payments to the job training programs based on the rate of the state income tax liability of each individual who completes training. This proposal does not make clear who will be responsible for providing the amount of the income tax liability (found on the person's tax return) for each person undergoing training. The DOR is prohibited from providing anyone with information off any tax return it receives. Therefore, DOR assumes the individual will be required to provide this information and this will not fiscally impact the Department.

It should be noted that an individual's income tax liability is determined by taking all their income sources and subtracting any deductions to which the person is entitled. Besides income, filing status, standard deduction/itemizing, and numerous deductions can impact a taxpayer's income tax liability.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the proposal will have no fiscal impact on their organization. Section 173.661 authorizes the Department of Higher Education and Workforce Development to enter into contracts with private entities that offer job training programs to individuals. These contracts would allow payments from the department to the private entity based on the state income tax liability of each individual who completes training provided by that entity equal to fifty percent of the difference between the individual's state income tax liability before and after the training for up to twelve years. This legislation would have no impact on TSR or the calculation in Article X, Section 18(e).

B&P defers to the Department of Higher Education and Workforce Development for specific impacts to the agency.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR and OA-B&P.

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 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
Costs – DHEWD (§173.661) – contract, personnel, and ITSD program development/database costs p.3	\$0 or <u>(Unknown, greater than \$250,000)</u>	\$0 or <u>(Unknown, greater than \$250,000)</u>	\$0 or <u>(Unknown, greater than \$250,000)</u>
FTE Change – DHEWD	Unknown FTE	Unknown FTE	Unknown FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 or <u>(Unknown, greater than \$250,000)</u>	\$0 or <u>(Unknown, greater than \$250,000)</u>	\$0 or <u>(Unknown, greater than \$250,000)</u>
Estimated Net FTE Change for the General Revenue Fund	0 or Unknown FTE	0 or Unknown FTE	0 or Unknown FTE

<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

This proposal could have a positive impact on small businesses that offer job training programs and procure contracts through DHEWD. (§173.661)

FISCAL DESCRIPTION

This act authorizes the Department of Higher Education and Workforce Development to enter into contracts with private entities that offer job training programs to individuals. Each contract shall contain a provision for payments from the Department to the private entity based on the state income tax liability of each individual who completes training by the private entity. Such contracts shall contain a provision allowing payments to continue for up to twelve years.

The amount of the payments will be equal to fifty percent of the difference between the individual's state income tax liabilities:

- (1) Before the individual receives training from the private entity; and
- (2) After the individual completes training and receives an increase in income because of such training.

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

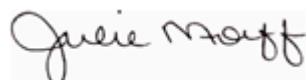
Office of Administration - Budget and Planning

Department of Higher Education and Workforce Development

Department of Revenue

Office of the Secretary of State

Joint Committee on Administrative Rules



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February 20, 2023



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February 20, 2023