

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4154S.01I
 Bill No.: SB 760
 Subject: Department of Economic Development; Employees- Employers
 Type: Original
 Date: January 24, 2022

Bill Summary: This proposal creates new provisions relating to grants to employers to encourage employees to obtain upskill credentials.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	More than or Less than (\$8,151,757)	More than or Less than (\$8,162,225)	More than or Less than (\$8,164,878)
Total Estimated Net Effect on General Revenue	More than or Less than (\$8,151,757)	More than or Less than (\$8,162,225)	More than or Less than (\$8,164,878)

*Subject to appropriation - Oversight based the funding level for this program on a similar program, Ohio TechCred, which has roughly a \$15 million annual appropriation. Reducing to account for Missouri's population – Oversight is utilizing an estimate of \$8 million. Actual appropriation amounts could vary substantially.

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 Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** assume the 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 employer’s interest for upskilling their workforce is only growing.

Oversight notes that of the 234 companies in Missouri, taking in consideration the data above, the DED would have potentially allocated \$7.02 million (234 x \$30,000 cap per company) in grant money for 2020.

Oversight notes that the proposal provides the following award structure:

- 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.

Oversight assumes that the DED's request for additional FTE is plausible. Therefore, Oversight will reflect the estimated FTE 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 Ohiohigher.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, Oversight will utilize \$15 million per year as an estimate, reduced to Missouri population - \$8,000,000. The actual appropriation amount could vary substantially.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume 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 assumes B&P is provided with core funding to handle a certain amount of activity each year. Oversight assumes B&P could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, B&P could request funding through the appropriation process.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the proposal could have a positive impact to MoDOT, up to \$30,000 per year to the State Road Fund. Commercial Driver's Licenses would likely fall into this reimbursement program created by SB 760, so MoDOT could use this to recruit and retain employees.

Officials from the **Missouri State University** and **University of Central Missouri** both assume the proposal would have a positive fiscal impact of an undetermined amount.

Oversight notes that officials from above organizations assume the proposal will have a positive fiscal impact on their organization.

Oversight notes the proposal, 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.

Officials from the **Department of Health and Senior Services, Department of Revenue, Missouri Department of Conservation, Office of Administration, Joint Committee on Administrative Rules, Missouri University System, City of Kansas City, City of O'Fallon, City of Springfield, and Green County Clerk Office** 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 **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 the core budget. Therefore, 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.

Oversight assumes SOS is provided with core funding to handle a certain amount of activity each year. Oversight assumes SOS could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, SOS could request funding through the appropriation process.

<u>FISCAL IMPACT</u> – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	
GENERAL REVENUE FUND				
<u>Revenue Reduction</u> – Section 620.2500 – Upskill credential grants (p.4)	More than or Less than (\$8,000,000)	More than or Less than (\$8,000,000)	More than or Less than (\$8,000,000)	
<u>Cost</u> – DED – Section 620.2500 – Administration Of Tax Credit Program				
Personnel Services	(\$72,610)	(\$88,875)	(\$90,652)	
Fringe Benefits	(\$49,001)	(\$59,385)	(\$59,981)	
Equipment & Expense	(\$30,146)	(\$13,966)	(\$14,245)	
<u>Total Cost - DED</u>	<u>(\$151,757)</u>	<u>(\$162,225)</u>	<u>(\$164,878)</u>	
Total FTE – DED (p.3,4)	2 FTE	2 FTE	2 FTE	
ESTIMATED NET EFFECT ON GENERAL REVENUE	More than or Less than (\$8,151,757)	More than or Less than (\$8,162,225)	More than or Less than (\$8,164,878)	
<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

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. Applications are evaluated on a competitive basis using the following criteria:

- The pledged average wage increase that employees or prospective employees will realize after obtaining an upskill credential in relation to the cost of obtaining the credential;
- The level of economic distress to the qualifying employer's region and the balance of awards made to the various regions of the state; and
- The contribution made by the qualifying employer toward the cost of obtaining the upskill credential.

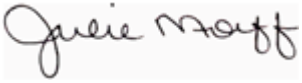
In making preliminary awards of reimbursement, an equal number of awards shall be made to the following groups of employers, to the extent possible: those with 1-50 employees; those 51-200 employees; those with more than 200 employees.

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

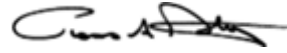
SOURCES OF INFORMATION

Department of Economic Development
Missouri Department of Transportation
Office of Administration – Budget & Planning
Department of Health and Senior Services
Department of Revenue
Missouri Department of Conservation
Office of Administration
Joint Committee on Administrative Rules
Missouri State University
University of Central Missouri
City of Kansas City
City of O'Fallon
City of Springfield
Green County Clerk Office

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