

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4199H.01P
 Bill No.: Perfected HB 2240
 Subject: Economic Development; Department of Economic Development; Cities, Towns, and Villages; Housing
 Type: Original
 Date: May 7, 2024

Bill Summary: This proposal creates an opportunity for entities to establish a workforce housing investment fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 to Could Substantially Exceed (\$350,170)	\$0 to Could Exceed (\$30,375,561)	\$0 to Could Exceed (\$30,382,171)
Total Estimated Net Effect on General Revenue	\$0 to Could Substantially Exceed (\$350,170)	\$0 to Could Exceed (\$30,375,561)	\$0 to Could Exceed (\$30,382,171)

*Subject to appropriations. State appropriations for grants through the Rural Workforce Housing Investment Act are listed as “\$0 to (Unknown) Could be Substantial” in FY 2025 & \$30M annually in FY 2026 & 2027, plus an additional three FTE for the Department of Economic Development to administer the program. DED has stated based on other state’s programs, the Missouri program could be estimated to require \$30 million in appropriations annually. Oversight notes Nebraska had \$29.5 million available and Georgia approved \$35.7 million for similar programs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Workforce Housing Investment Fund*	\$0	\$0	\$0
Missouri Housing Trust Fund (0254)	\$0	\$0	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or Unknown

*Oversight assume the above fund will net to zero.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** note Sections 620.2030 to 620.2040 create the "Rural Workforce Housing Investment Act" which establishes within the Department of Economic Development (DED) a workforce housing grant program. This is to address the housing needs of workers in rural areas of Missouri. Eligible non-profit development organizations may apply for this grant program so long as they can match dollar for dollar any funds received and can be ready for occupancy within 24 months. These organizations must be located in rural communities that have identified a housing need based on the inability to attract workers to their communities.

No organization may receive more than \$1M in grants over a two year period, with a maximum grant of \$2M through fiscal year 2027. Organizations must return grant funds if they don't start their development within 24 months after receiving the grant. They must also complete and file an annual report by February 15 each year or pay a penalty of up to \$5K. Penalties that are paid are to be remitted to the state treasurer in accordance with Article IX of the state constitution; to the extent any such penalties are deposited in the state treasury, TSR would increase. DED must also submit an annual report to the general assembly and the governor demonstrating the effectiveness of the program.

Before August 28, 2029, any unallocated grant funds shall be returned to the "Rural Workforce Housing Investment Fund". Beginning on August 28, 2029, any unallocated grant funds shall be returned to the "Missouri Housing Trust Fund". Costs to general revenue would be subject to appropriation, but no overall cap is specified in the bill.

Officials from the **Department of Revenue (DOR)** note this is a Department of Economic Development program, not DOR. No impact on DOR. Therefore, for purpose of this fiscal note, Oversight will assume the proposal will have no fiscal impact on DOR.

Officials from the **Department of Economic Development (DED)** note 620.2030 establishes the "Rural Workforce Housing Investment Act", a workforce housing grant program to foster and support the development of workforce housing in rural communities.

Nonprofit organizations (a regional or statewide nonprofit development organization) apply to DED for a grant. Grants are awarded on a competitive basis until FY2027. Limit of \$1M per nonprofit over a 2-year period, and limit of \$2M per nonprofit through FY2027. 1:1 match required.

The department may contract with a statewide public or private nonprofit organization that shall serve as agent for the department to help carry out the purposes and requirements of this program.

No total cap is specified for the program and the program is subject to appropriations; therefore, DED estimates \$30M based on similar grant programs in Georgia and Nebraska. Three (3.0) FTE would be needed to administer the program at that amount.

DED, in further comments via e-mail, notes that the cost, including the number of FTE needed, would be subject to the appropriation amount provided to the department in any one fiscal year.

Oversight notes the officials from the DED assume the need for 3 FTE (3 Senior Economic Development Specialist \$74,664 annually per each) to properly administer this Act. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DED estimated impact in the fiscal note.

Oversight notes this proposal allows nonprofit development organizations to participate in the Rural Workforce Housing Investment program.

Oversight notes that the proposal, §620.2034, creates Rural Workforce Housing Investment Fund (RWH Fund) that shall consist of money appropriated from the General Assembly and private monies from various private groups.

Oversight notes this proposal does not have maximum cap set. Therefore, Oversight will reflect zero to unknown amount of money transferring-out from general revenue into the Rural Workforce Housing Investment Fund in FY 2025, and an amount that could exceed \$30 million annually in FY 2026 & 2027.

Oversight notes the Nebraska General Assembly passed a similar proposal in 2017, Nebraska Rural Workforce Housing Investment Act - [LB 518](#). Based on 2022 Nebraska Rural Workforce Housing Fund [report](#), “a total of \$22,805,000 was awarded to 27 organizations of the approximately \$29,555,112 available” in the first application cycle as of May 2023.

Oversight notes the Georgia General Assembly also approved \$35.7 million to start the Rural Workforce Housing Initiative in the Amended Fiscal Year 2023 [Appropriation bill](#) that was signed into law in March 2023.

Oversight notes §620.2032 allows for a rural workforce housing grants to be awarded up to fiscal year 2027.

Oversight notes §620.2035.1 states that if a nonprofit development organization fails to engage in the initial qualified activity or allocate any grant money within twenty-four months after receiving initial grant funding, the nonprofit development organization shall return the grant funds to the department. Therefore, Oversight will note a potential transfer in of monies to the Missouri Housing Trust fund, for an unknown amount effective FY 2027 (24 months after potential passage).

Oversight notes §§620.2035.2 states that if a nonprofit development organization fails to allocate any grant money within twenty-four months after receiving initial grant funding, the nonprofit development organization shall return the grant funds to the department. Therefore, Oversight will note a potential transfer in of monies to Rural Workforce Housing Investment fund, for an unknown amount effective FY 2027 (24 months after potential passage).

Oversight §620.2035.3 state that any unused money after August 2029 (FY 2030) shall be transferred to Missouri Housing Trust Fund.

Oversight notes the proposal, §§620.2036. 4., states “[i]f a nonprofit development organization fails to file a complete annual report by February fifteenth, the director may, in his or her discretion, impose a civil penalty of not more than five thousand dollars for such violation.” Additionally, the State Treasury shall distribute this money in accordance with Article IX, Section 7 of the Constitution of Missouri.

Oversight notes that violations of §§620.2036.4 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines varies widely from year to year and are distributed to the school district where the violation occurred. For simplicity, Oversight will not reflect the possibility that fine revenue may be paid to school districts and subsequently may act as a subtraction in the foundation formula.

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 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs - §§620.2034.3</u>			
Administration of the program	\$0 to	\$0 to	\$0 to
Personnel Service	(\$186,660)	(\$228,472)	(\$233,041)
Fringe Benefits	(\$109,897)	(\$133,613)	(\$135,384)
Expense & Equipment	(\$53,613)	(\$13,476)	(\$13,746)
<u>Total Costs – DED p.4</u>	(\$350,170)	(\$375,561)	(\$382,171)
FTE Change	3 FTE	3 FTE	3 FTE
<u>Transfer Out - §§620.2034.1 Rural Workforce Housing Investment Fund p.5</u>	\$0 to (Unknown) Could be Substantial	\$0 to Could exceed (\$30,000,000)	\$0 to Could exceed (\$30,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to Could Substantially Exceed (\$350,170)	\$0 to Could Exceed (\$30,375,561)	\$0 to Could Exceed (\$30,382,171)
Estimated Net FTE Change on General Revenue	3 FTE	3 FTE	3 FTE
RURAL WORKFORCE HOUSING INVESTMENT FUND			
<u>Revenue Gain - §§620.2034.1 monies from private funds, non-state funds, and other interested parties p.5</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer-In – §§620.2034.1 monies from the General Revenue p.5</u>	\$0 to Unknown, Could be Substantial	\$0 to Could Exceed \$30,000,000	\$0 to Could Exceed \$30,000,000

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Costs</u> – §§620.2032 -distribution of workforce housing grants – p.5	\$0 to (Unknown) Could be Substantial	\$0 to Could exceed (\$30,000,000)	\$0 to Could exceed (\$30,000,000)
<u>Transfer Out</u> - §§620.2035.2 – monies returned from non-profits if unallocated - p.6	\$0	\$0	\$0 or Unknown
<u>Transfer Out</u> - §§620.2035.3 – transfer of un-utilized funds to the Missouri Housing Trust Fund – p.6	\$0	\$0	\$0
<u>Costs</u> – §§620.2036.3 Administration of the program p.5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON RURAL WORKFORCE HOUSING INVESTMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI HOUSING TRUST FUND (0254)			
Transfer in - §§620.2035.1 monies returned for failing to engage in initial qualified activity p.5	\$0	\$0	\$0 or Unknown
<u>Transfer in</u> - §§620.2035.3 from Rural Workforce Housing Investment Fund of un-utilized funds for projects p.6	\$0	\$0	\$0
ESTIMATED NET EFFECT ON MISSOURI HOUSING TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
		<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This bill establishes the "Rural Workforce Housing Investment Act".

A workforce housing grant program shall be created in the Department of Economic Development (DED) to foster and support the development of workforce housing in rural communities. Nonprofit development organizations may apply to DED for approval of a workforce housing grant for a workforce housing investment fund.

Grants shall be awarded on a competitive basis through 2027. Grant maximums shall not exceed \$1 million to any one nonprofit development organization over a two-year period, with no more than

\$2 million cumulative for any single grantee through FY 2027. Grants shall be awarded in the following manner:

- (1) A demonstrated and ongoing housing need as identified by a recent housing study;
- (2) A community or region that has a low unemployment rate and is having difficulty attracting workers and filling employment positions;
- (3) A community or region that exhibits a demonstrated commitment to growing its housing stock;
- (4) Projects that can reasonably be ready for occupancy in a period of 24 months; and
- (5) A demonstrated ability to grow and manage a workforce housing investment fund.

A nonprofit development organization shall:

- (1) Invest or intend to invest in workforce housing eligible activities;
- (2) Use any fees, interest, loan repayments, or other funds it receives as a result of the administration of the grant to support qualified activities; and
- (3) Have an active board of directors with expertise in development, construction, and finance that meets at least quarterly to approve all qualified investments made by the nonprofit

development organization. A nonprofit development organization shall have a formal plan and proven expertise to invest unused workforce housing investment fund balances and shall have an annual audit of all financial records conducted by an independent certified public accountant.

This bill creates the "Rural Workforce Housing Investment Fund".

In the event that a nonprofit development organization fails to engage in activity within 24 months after receiving grant funding, such funds shall be returned to DED for credit to the Missouri Housing Trust Fund. If a nonprofit development organization fails to allocate any remaining grant funding within 24 months after engaging in initial qualified activity, such unallocated funds shall be returned to DED for credit to the Rural Workforce Housing Investment Fund.

The Director of DED shall have discretion to transfer any unused Funds to any qualifying trust or fund before August 28, 2029.

Beginning August 28, 2029, any funds held by DED and not designated by the Director to be disbursed to an alternate fund shall be transferred to the Missouri Housing Trust Fund.

Each nonprofit shall submit an annual report to the Director of DED. Such annual report shall include the following:

- (1) The name and geographical location of the reporting nonprofit development organization;
- (2) The number, amount, and type of workforce housing investment funds invested in qualified activities;
- (3) The number, geographical location, type, and amount of investments made;
- (4) A summary of matching funds and where such matching funds were generated; and
- (5) The results of the annual audit.

If a nonprofit development organization ceases administration of a Workforce Housing Investment Fund, it shall file a final report.

If a nonprofit fails to file a complete annual report by February 15th, the Director may impose a civil penalty of \$5,000 for such a violation.

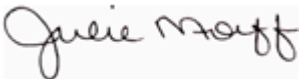
The DED shall also be expected to commit itself to:

- (1) Ensure that grant funds awarded to nonprofit development organizations are targeted to the geographic communities or regions with the most pressing economic and employment needs; and
- (2) Ensure that the allocation of grant funds provides equitable access to the benefits provided in the bill to all eligible geographical areas;

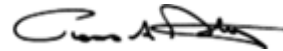
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Economic Development
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division



Julie Morff
Director
May 7, 2024



Ross Strobe
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May 7, 2024