

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3889H.02C
 Bill No.: HCS for HB 1659
 Subject: Economic Development; Department of Economic Development; Tax Credits; Tax Incentives; Energy; Mining and Oil and Gas Production
 Type: Original
 Date: March 12, 2026

Bill Summary: This proposal establishes the "Missouri Defense and Energy Independence Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|-----------------------------|-----------------------------|-----------------------------|
| General Revenue* | Up to (\$10,271,541) | Up to (\$10,294,062) | Up to (\$10,299,290) |
| Total Estimated Net Effect on General Revenue | Up to (\$10,271,541) | Up to (\$10,294,062) | Up to (\$10,299,290) |

*Oversight assumes annual costs of up to \$10 million (subject to appropriation) for grants through the Missouri Defense and Energy Independence Fund, as well as costs for 2 DED FTE.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| Missouri Defense and Energy Independence Fund* | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

*Transfers and distributions net to zero.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|--------------|--------------|--------------|
| General Revenue | 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 2027 | FY 2028 | FY 2029 |
|-------------------------|------------|------------|------------|
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§620.1646 - Missouri Defense and Energy Independent Act

Officials from the **Office of Administration – Budget & Planning (B&P)** assume the proposed section 620.1646 creates the "Missouri Defense and Energy Independence Act" which is a grant program that assists qualified companies to convert their facilities to produce strategic materials within Missouri.

The proposed subsection 620.1646.6 creates the "Missouri Defense and Energy Independence Fund" not to exceed \$10M appropriated by the general assembly from general revenue and from any gifts, contributions, grants, or bequests from federal, private, or other sources and maintained by the state treasurer. To the extent such appropriations are made, this could cost up to \$10M annually. The DED will be responsible for disbursing grants from this fund to qualified companies under the above program. Grants awarded to qualified companies will not exceed \$1M per grant application per fiscal year and must be used for qualified conversion cost only. This section will not directly impact TSR.

The DED shall administer the program and promulgate rules, regulations, procedures, and applications for the grant. Therefore, the total fiscal impact to GR could be up to \$10M in transfers (as appropriated) beginning in FY 2027.

Officials from the **Department of Revenue (DOR)** assume this provision creates a new state fund that shall consist of at least \$10 million to be used to provide grants for companies that qualify to convert their facility to produce one or more strategic materials. The \$10 million is to be appropriated by the General Assembly annually.

The Department of Economic Development is to administer the grant. The grant cannot exceed \$1,000,000 per applicant. The money in the grant is to be used to help convert their facility. The grant program will not fiscally impact the Department of Revenue.

Officials from the **Department of Economic Development (DED)** assume this legislation enacts a new section in Chapter 620 (620.1646) to be known as the Missouri Defense and Energy Independence Act.

§620.1646.1(2) a qualified company must be a business headquartered or registered to do business in Missouri that completes a verified conversion of its facilities to produce one or more strategic materials.

§620.1646.1(3) qualified companies must have a minimum of private capital investment of at least \$500,000.

§620.1646.3 establishes the program as a grant program to encourage and assist qualified companies in converting their facilities to produce strategic materials within the state of Missouri.

§620.1646.5(2) has a provision that requires a qualified company to repay the entire amount of money awarded or a proportionate amount based on what DED establishes in guidelines and parameters.

§620.1646.6(1) creates the Missouri Defense and Energy Independence Fund within the state treasury and will consist of money appropriated by the general assembly, not to exceed \$10M annually. The money in this fund does not revert to GR at the end of the biennium.

§620.1646.7(2) The Department of Economic Development shall not grant award of money from the fund in excess of \$1M per grant application per fiscal year.

§620.1646.10 This program will sunset 10 years after the effective date, unless reauthorized by the general assembly.

The DED assumes the need for 2.0 FTE (Senior Economic Development Specialist \$86,712 plus E&E annually per each) to solicit and review applications, determine qualifications, calculate eligible expenses, complete compliance and administer the programs.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the DED's FTE cost in the fiscal note effective FY 2027.

Officials from the **Office of the State Treasurer (STO)** 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 both respective agency.

The **Oversight Division** is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

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 2027 (10 Mo.) | FY 2028 | FY 2029 |
|--|--|--|--|
| GENERAL REVENUE | | | |
| <u>Transfer Out – (\$ 620.1646.7) Grants for Independence from Foreign Influence Fund p.3-4</u> | Up to (\$10,000,000) | Up to (\$10,000,000) | Up to (\$10,000,000) |
| <u>Cost – DED p.4</u> | | | |
| Personnel Service | (\$144,520) | (\$176,892) | (\$180,430) |
| Fringe Benefits | (\$85,353) | (\$103,818) | (\$105,241) |
| Expense & Equipment | (\$41,668) | (\$13,352) | (\$13,619) |
| <u>Total Costs – DED</u> | <u>(\$271,541)</u> | <u>(\$294,062)</u> | <u>(\$299,290)</u> |
| FTE Change | 2 FTE | 2 FTE | 2 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | Up to <u>(\$10,271,541)</u> | Up to <u>(\$10,294,062)</u> | Up to <u>(\$10,299,290)</u> |
| Estimated Net FTE Change on General Revenue | 2 FTE | 2 FTE | 2 FTE |
| MISSOURI DEFFENSE AND ENERGY INDEPENDENCE FUND | | | |
| <u>Transfer in – (§§ 620.1646.7) Grants for Independence from Foreign Influence Fund p.3-4</u> | Up to \$10,000,000 | Up to \$10,000,000 | Up to \$10,000,000 |
| <u>Cost – (§620.1646.7(2)) Grants awarded to various companies (\$1 million max per company) p.4</u> | (Unknown) | (Unknown) | (Unknown) |

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|---------------------|-------------------|-------------------|
| <u>Transfer in – (\$620.1646.6.) Donations, grants, interests, etc. p.4</u> | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
| ESTIMATED NET EFFECT ON MISSOURI DEFFENSE AND ENERGY INDEPENDENCE FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|---------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill authorizes the "Missouri Defense and Energy Independence Act", creating a grant program within the Department of Economic Development to assist qualified companies in converting facilities to produce strategic materials.

The bill creates the "Missouri Defense and Energy Independence Fund". The Department may award grants from the fund to qualified companies for eligible conversion costs consisting of a minimum private capital investment of \$500,000, any expenses for labor and materials, and other conversion expenses.

To be eligible for a grant, a qualified company must meet the following requirements:

- (1) Have submitted a conversion plan to the Department.
- (2) Demonstrate that the company has incurred at least \$500,000 in private capital investments toward the conversion.
- (3) Provide documentation showing compliance with Missouri labor, environmental, and tax laws.

Grants may not exceed \$1 million per project per fiscal year, and require repayment if a company does not complete its approved conversion.

The program sunsets 10 years after its effective date unless reauthorized.

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
Department of Revenue
Office of Administration – Budget & Planning
Office of the State Treasurer
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division



Julie Morff
Director
March 12, 2026



Jessica Harris
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March 12, 2026