

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4077H.011
 Bill No.: HB 1716
 Subject: Economic Development
 Type: Original
 Date: February 22, 2026

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 2027	FY 2028	FY 2029
General Revenue*	\$0 to Could Exceed (\$30,406,201)	\$0 to Could Exceed (\$30,441,094)	\$0 to Could Exceed (\$30,448,935)
Total Estimated Net Effect on General Revenue	\$0 to Could Exceed (\$30,406,201)	\$0 to Could Exceed (\$30,441,094)	\$0 to Could Exceed (\$30,448,935)

*Subject to appropriation. Grants for the Rural Workforce Housing Investment Act estimated at \$30M annually plus three FTE for the Department of Economic Development to administer the program. DED estimates the cost based on other states' programs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Workforce Housing Investment Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Oversight assumes the above fund will 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	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 2027	FY 2028	FY 2029
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

§§620.2030 - 620.2040 - "Rural Workforce Housing Investment Act"

Officials from the **Office of Administration – Budget & Planning (B&P)** assume §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 for any moneys 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 2028. Organizations must return grant funds to the department for credit to the rural workforce housing investment fund if they don't start their development within 24 months after receiving the grant or ceases administration of a workforce housing investment fund. 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, 2031, any unallocated grant moneys shall be returned to the "Rural Workforce Housing Investment Fund". Beginning on August 28, 2031, any unallocated grant moneys shall be returned to the "Rural Workforce Housing Investment Fund". Costs to general revenue would be subject to appropriation, but no overall cap is specified in the bill.

Officials from the **Department of Economic Development (DED)** note:

§620.2030: Establishes the "Rural Workforce Housing Investment Act" and the DED's workforce housing grant program to support non-profits in rural areas facing housing shortages for workers.

§620.2032: Non-profits apply for grants to create workforce housing investment funds. Grants require dollar-for-dollar matching funds. Funds support new construction or rehab of housing for working families. Defines "workforce housing" (cost caps, no low-income tax credits) and eligible rural areas.

§620.2034: Workforce Housing Investment Fund: Details the fund managed by the non-profit, including using interest/fees for more housing and requirements for an active board of directors.

§620.2036: Annual Reporting: Mandates annual reports to the legislature and governor, detailing fund usage, investments, locations, and audit results.

§620.2038: Confidentiality & Rules: Allows DED to keep some info confidential and outlines rule-making process.

§620.2040: Fund Return: Specifies that unallocated funds revert to the DED, eventually going to the Missouri Housing Trust Fund.

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 (Senior Economic Development Specialist) at \$86,712 annually would be needed to administer the program at that amount.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DED in the fiscal note.

For informational purposes, Oversight notes the Nebraska General Assembly passed a similar proposal in 2017, Nebraska Rural Workforce Housing Investment Act - [LB 518](#). Based on information from [Nebraska's Department of Economic Development website](#) for 2022, "A total of \$22,805,000 was awarded to 27 organizations of the approximately \$29,555,112 available." In 2024, the Nebraska Legislature allocated \$12.5 million for a fourth program year of the Rural Workforce Housing Fund.

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

Oversight notes §620.2035 states if a nonprofit development organization fails to engage in qualified activity within two years of receiving initial grant funding, such organization shall return the grant funds to the Department. If a nonprofit development organization fails to allocate any remaining grant funds to qualified activities within two years of the commencement of initial qualified activity, such organization shall return all unallocated grant funds. Therefore, Oversight will reflect a zero or unknown transfer-in of monies to the Rural Workforce Housing Investment Fund, effective FY 2029 (24 months after potential passage).

Oversight notes §620.2306.3 states if a nonprofit development organization ceases administration of a workforce housing investment fund, it shall file a final report with the director in the form and manner required by the director. Before August 28, 2031, any unallocated grant funds shall be returned to the department for credit to the rural workforce housing investment fund. Therefore, Oversight will reflect a zero or unknown transfer-in of monies to the Rural Workforce Housing Investment Fund.

Oversight notes §620.2036.4 states if 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 no 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 paid to school districts may act as a subtraction in the foundation formula.

Oversight notes beginning August 28, 2031, the Department shall transfer any remaining grant funds held by the Department to the Missouri Housing Trust Fund. For simplicity, Oversight will not show the transfer of funds in the fiscal note.

In response to similar legislation, SB 1105 (2026), officials from the **Office of the State Treasurer** assumed 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 this agency.

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>Cost – DED (§620.2034.3) p.4</u>			
Personal Service	(\$216,780)	(\$265,339)	(\$270,645)
Fringe Benefits	(\$128,029)	(\$155,727)	(\$157,862)
Expense & Equipment	(\$61,363)	(\$20,028)	(\$20,428)
<u>Total Costs – DED</u>	<u>(\$406,201)</u>	<u>(\$441,094)</u>	<u>(\$448,935)</u>
FTE Change– DED	3 FTE	3 FTE	3 FTE
<u>Transfer Out – (§620.2034.1) Rural Workforce Housing Investment Fund p.5</u>	\$0 to (Could exceed \$30,000,000)	\$0 or (Could exceed \$30,000,000)	\$0 or (Could exceed \$30,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to Could Exceed (\$30,406,201)	\$0 to Could Exceed (\$30,441,094)	\$0 to Could Exceed (\$30,448,935)
RURAL WORKFORCE HOUSING INVESTMENT FUND			
<u>Revenue Gain – (§620.2034.1) Monies from private funds, non-state funds, and funds from 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 Could exceed \$30,000,000	\$0 to Could exceed \$30,000,000	\$0 to Could exceed \$30,000,000
<u>Transfer In – (§§620.2035) Return of unallocated grant funds from nonprofit organizations p.5</u>	\$0	\$0	\$0 or Unknown
<u>Transfer In – (§620.2036.3.) Return of unallocated grant funds after ceasing administration p.5</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Cost</u> – (§620.2032) Distribution of workforce housing grants p.5	\$0 or Could exceed (\$30,000,000)	\$0 or Could exceed (\$30,000,000)	\$0 or Could exceed (\$30,000,000)
NET ESTIMATED EFFECT ON RURAL WORKFORCE HOUSING INVESTMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – School Districts (§620.2036.4) Potential Penalties p.3	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</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 establishes the "Rural Workforce Housing Investment Act".

A workforce housing grant program is created in the Department of Economic Development (DED) to foster and support the development of workforce housing in rural communities. A nonprofit development organization can apply to DED for approval of a workforce housing grant for a workforce housing investment fund.

Grants will be awarded on a competitive basis through 2029. Grant maximums must 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 Fiscal Year 2029.

Grants will 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 must:

- (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 must have a formal plan and proven expertise to invest unused workforce housing investment fund balances and must have an annual audit of all financial records conducted by an independent certified public accountant.

This bill creates the "Rural Workforce Housing Investment Fund". The Fund will consist of moneys appropriated to the Fund by the General Assembly and the State Treasurer will be the custodian of the Fund.

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

The Director of DED will have discretion to transfer any unused funds to any qualifying trust or fund before August 28, 2031. Beginning August 28, 2031, any funds held by DED and not designated by the Director to be disbursed to an alternate fund will be transferred to the Missouri Housing Trust Fund.

Each nonprofit must submit an annual report to the Director of DED. The annual report must 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 the 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 must file a final report. If a nonprofit fails to file a

complete annual report by February 15th, the Director can impose a civil penalty of \$5,000 for the violation.

The DED must 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.

The Department must submit an annual report to the General Assembly and the Governor that includes:

- (1) The number and geographical location of nonprofit development organizations establishing workforce housing investment funds;
- (2) The number, amount, and type of workforce housing investment funds invested in qualified activities; and
- (3) The number, geographical location, type, and amount of investments made by each nonprofit development organization.

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 & Planning
Department of Revenue
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Secretary of State
Office of the State Treasurer



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February 22, 2026



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