

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4491S.01I
Bill No.: SB 1105
Subject: Economic Development; Department of Economic Development; Housing
Type: Original
Date: January 27, 2026

Bill Summary: This proposal establishes the Rural Workforce Housing Investment Act.

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 Other State Funds | \$0 | \$0 | \$0 |

*Oversight assumes the 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 All 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 | \$0 | \$0 |

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 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 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 funds shall be returned to the "Rural Workforce Housing Investment Fund". Beginning on August 28, 2031, 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. Based on similar grant programs in other states, it is estimated the program would have a \$30M fiscal impact on general revenue.

Officials from the **Department of Economic Development (DED)** assume §620.2030 establishes the official name of the act and defines key terms. "Department" refers to the Department of Economic Development. "Workforce housing" is defined by specific cost caps (e.g., \$275,000 for owner-occupied) and requires that it not use certain existing low-income housing tax credits. "Eligible activities" for nonprofit organizations include new construction, substantial rehabilitation, and upper-story housing development in rural areas.

§620.2032 outlines the core of the grant program and the requirements for participating nonprofit development organizations. A Workforce Housing Grant Program is created to foster rural housing development. Nonprofit organizations can apply for grants up to \$1 million with a maximum of \$2 million total per grantee through fiscal year 2029. Grants require a minimum one-to-one match in funds from the grantee. Participating organizations must have a formal plan, proven expertise, and undergo an annual independent audit.

§620.2034 establishes the "Rural Workforce Housing Investment Fund" in the state treasury, consisting of appropriated moneys and potential private funds. Moneys in the fund are used solely for the purposes of this act and do not revert to the general revenue fund at the end of the fiscal year.

§620.2035 - Failure to Comply

§620.2036 - Reporting and Auditing

§620.2038 directs the department to ensure effective implementation and outreach. Requiring the Department to use its best efforts to ensure the success of the program and may contract with other entities to help administer the program.

§620.2040 - Rulemaking and Expiration

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 other states. 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 may be paid to school districts and subsequently 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.

Officials from the **Oversight Division, Office of the State Treasurer, and Department of Revenue** each 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 these respective agencies.

| <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> | | | |
| Personnel Service | (\$216,780) | (\$265,339) | (\$270,645) |
| Fringe Benefits | (\$128,029) | (\$155,727) | (\$157,862) |
| Expense & Equipment | (\$61,393) | (\$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 to (Could exceed \$30,000,000) | \$0 to (Could exceed \$30,000,000) |

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|--|--|--|
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$406,201 to Could Exceed \$30,406,201)</u> | <u>(\$441,094 to Could Exceed \$30,441,094)</u> | <u>(\$448,935 to Could Exceed \$30,448,935)</u> |
| Estimated Net FTE Change on General Revenue | 3 FTE | 3 FTE | 3 FTE |
| RURAL WORKFORCE HOUSING INVESTMENT FUND | | | |
| <u>Revenue</u> – (§620.2034. 1.) Monies from private funds, non-state funds, and other interested parties p.5 | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Transfer-In</u> – (§620.2034.1.) Monies from the General Revenue p.5 | \$0 to Could Exceed \$30,000,000 | \$0 to Could Exceed \$30,000,000 | \$0 to Could Exceed \$30,000,000 |
| <u>Transfer In</u> – (§§620.2035) Return of unallocated grant funds from nonprofit organizations p.5 | \$0 | \$0 | \$0 or Unknown |
| <u>Transfer In</u> – (§620.2036.3.) Return of unallocated grant funds after ceasing administration p.5 | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <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) |
| ESTIMATED NET 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 |
|---|---------------------|-------------------|-------------------|
| | | | |
| | <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 act establishes the "Rural Workforce Housing Investment Act", which is a grant program established in the Department of Economic Development for the purpose of supporting the development of workforce housing in rural communities.

A nonprofit development organization, as defined in the act, may apply to the Department for approval for a workforce housing grant to establish a workforce housing investment fund. Grants shall be awarded on a competitive basis, and no more than one million dollars shall be awarded to any one nonprofit development organization over a two year period, and no more than two million dollars to any one nonprofit development organization for the period ending on June 30, 2029. Grants shall require matching funds in order to be awarded, as described in the act.

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.

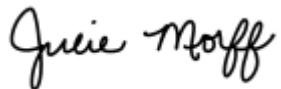
Beginning August 28, 2031, the Department shall transfer any remaining grant funds held by the Department to the Missouri Housing Trust Fund.

Annual reports shall be filed by all nonprofit development organizations and by the Department, as described in the act.

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 Revenue
Office of the State Treasurer
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Secretary of State
Oversight Division



Julie Morff
Director
January 27, 2026



Jessica Harris
Assistant Director
January 27, 2026