

CAPITOL REPORT



WEEK SEVENTEEN

Budget negotiations and end-of-session maneuvering took center stage this week at the Capitol as lawmakers finalized the Fiscal Year 2027 state budget ahead of the constitutional May 8 deadline while continuing to advance priority legislation through both chambers. The House and Senate worked through conference committee reports, debated education and higher education funding priorities, and ultimately approved approximately \$50.7 billion in appropriations for the coming fiscal year.

As the Legislature enters its final stretch, attention is increasingly shifting toward the fate of remaining policy priorities. Leadership in both chambers has begun consolidating multiple proposals into larger omnibus measures — commonly referred to around the Capitol as “Christmas tree” bills — setting the stage for a fast-moving and unpredictable close to session marked by intense negotiations, procedural maneuvering, and last-minute efforts to move legislation across the finish line before adjournment. With only five legislative days remaining in the 2026 regular session, the pressure to deliver on unfinished priorities is quickly mounting.

Budget Update | This week marked the culmination of the Missouri General Assembly’s work on the Fiscal Year 2027 state budget, as both the Missouri House and Senate formally approved the final conference committee versions of the appropriations bills totaling approximately \$50.7 billion. After several days of negotiations between the chambers, lawmakers adopted the remaining budget measures on Wednesday, sending the full budget package to Governor Mike Kehoe for consideration. The governor now has authority to sign the budget bills into law, issue line-item vetoes, or reduce specific appropriations before the FY 2027 budget takes effect July 1. Debate throughout the week focused heavily on K-12 education funding, transportation, infrastructure investments, and higher education appropriations. In the House, members engaged in lengthy debate over public

school funding levels and the use of lottery, gaming, and one-time funding sources within the foundation formula, with several lawmakers expressing concerns that the state was not fully funding the statutory formula despite maintaining record overall education spending levels. House budget leaders defended the final agreement by noting that K-12 education funding remains at historically high levels while also acknowledging the state is entering a significantly tighter fiscal environment compared to recent surplus years.

In the Senate, lawmakers spent additional time discussing the future of Missouri's higher education funding model while approving House Bill 2003, the state's higher education and workforce development budget bill. Senators debated whether future university funding should continue under the current framework or move toward a revised allocation model tied more closely to enrollment and performance metrics. Senate budget leaders ultimately maintained the governor's recommended higher education core funding structure while directing additional review of long-term funding formulas for Missouri's public colleges and universities. Lawmakers also finalized capital improvement and maintenance appropriations through House Bills 2017, 2018, and 2019, which included funding for infrastructure projects, higher education facilities, transportation improvements, economic development initiatives, and community-based projects across the state.

Economic Development | The Senate dedicated time Thursday morning to debate HB 3231, sponsored by Representative Brad Christ (R-St. Louis). The bill modifies Missouri's downtown economic development laws by expanding redevelopment financing tools, creating new "Missouri Innovation Zone" incentive programs, extending redevelopment financing timelines from 25 to 30 years, authorizing office-to-residential conversion tax credits, and increasing reporting and oversight requirements for development projects. The legislation also revises definitions related to development areas, expands eligibility for residential income tax increment financing, and creates new withholding tax incentives for businesses investing and retaining jobs in designated innovation zones. During debate, Senator Kurtis Gregory (R-Marshall) offered a Senate substitute that further modifies the bill by expanding eligibility for state residential income tax increment financing, revising geographic restrictions for development areas, adding new developer disclosure and affidavit requirements, removing much of the Missouri Development Finance Board's approval authority in favor of the Department of Economic Development, and establishing a new one-stop local review process for development applications. The substitute also clarifies that development plans cannot include the initial development or redevelopment of gambling establishments and adds detailed reporting requirements tied to jobs, payroll, and economic impact metrics. Senator Joe Nicola (R-Grain Valley) further amended the bill to prohibit Missouri Innovation Zone incentives from being awarded to data storage

centers, as defined in state law. After considerable debate, the bill was returned back to the calendar to be debated further another day.

Permit Issuance Deadlines | The Senate Committee on Local Government, Elections and Pensions convened Monday afternoon to discuss passage of HB 1791, sponsored by Representative Jim Murphy (R-St. Louis). The bill seeks to set thresholds on political subdivisions for granting permits. Specifically, the thresholds include a five-day notification period when information is missing from the permit application and ten days to provide a written decision on the permit. The bill also includes exemptions for areas affected by natural disasters. If these thresholds are not met, the permit is automatically approved. The bill also includes a provision for an emergency permit extension of 30 days. Additionally, the bill requires political subdivisions that adopt nationally or internationally recognized building codes to have certified enforcement inspectors. It also modifies the authority fire protections have as it relates to subdivision of land for residential construction purposes. With no discussion, the committee failed to pass the bill by a tied 3-3 vote.

The Senate Committee on Local Government, Elections and Pensions reconvened Thursday morning to reconsider HB 1791 after the bill previously failed on a tied 3-3 vote earlier in the week. Committee members voted 6-0 to reconsider the prior failed vote, adopted a substantially narrowed committee substitute, and then voted 6-0 to pass the bill from committee. The substitute removed provisions establishing multiple permit categories and fee reduction penalties, eliminated emergency disaster permit language, removed certified building inspector requirements, and stripped provisions relating to fire protection district authority, subdivision regulation, and residential construction oversight. Instead, the substitute replaced the bill with a more limited framework requiring political subdivisions to approve or deny single-family residential building permit requests within sixty calendar days, provide written explanations for denials or incomplete applications, and automatically approve requests if no response is issued within the required timeframe. The House bill now has to find its time on the Senate floor for debate.

Reforming Property Tax Assessment Procedures | The Senate Select Committee on Property Taxes and the State Tax Commission met in executive session to consider passage of HB 2178, sponsored by Representative Chad Perkins (R-Bowling Green). The bill makes broad changes to Missouri's property tax system aimed at increasing transparency, limiting tax spikes, and strengthening taxpayer protections. The bill requires physical inspections before certain real property assessment increases exceeding 15 percent, places the burden of proof on assessors in specified appeals, removes the presumption that an assessor's valuation is correct, limits certain motor vehicle assessment increases, and

phases in large equalization increases ordered by the State Tax Commission. It also caps real property tax increases from general reassessments at 15 percent per two-year cycle by spreading larger increases over time and applying a credit to limit taxpayer liability. Additionally, the bill clarifies taxation of short-term rentals, establishes standardized labeling and disclosure requirements for property tax ballot measures, and expands inspection timelines, notice requirements, appeal rights, and the ability to recover attorney's fees in certain cases. During executive session, committee members adopted a committee substitute that rolled the legislation back largely to the narrower framework contained in Representative Perkins' original bill, focusing primarily on the physical inspection requirements for significant assessment increases, assessor burden-of-proof standards, elimination of the presumption that assessor valuations are correct, limits on motor vehicle assessment increases, and phased-in equalization increases ordered by the State Tax Commission. The committee then passed the bill by a vote of 4-0. The House bill now heads to the Senate floor for debate.

Data Center Growth, Economic Impact, and Ratepayer Protections | The House Utilities Committee met Wednesday afternoon, examined the rapid expansion of data centers in Missouri, highlighting both significant economic development opportunities and ongoing policy concerns. Testimony from the International Union of Operating Engineers, Local 513 and regional building trades, Ameren Missouri, and the Consumers Council of Missouri emphasized the large-scale nature of these projects—representing multi-billion-dollar investments with substantial job creation, local business impacts, and projected annual tax revenues—while also highlighting Missouri's growing pipeline of proposed developments. Testimony from Ameren Missouri pointed to Senate Bill 4 as the central framework governing these projects, requiring data centers to fund their own infrastructure, commit to long-term contracts, and assume financial risk, which they argue helps offset system costs and limit impacts on other ratepayers. However, testimony from the Consumers Council of Missouri raised concerns about potential upward pressure on utility rates, including costs tied to future power generation, timing mismatches between infrastructure buildout and demand, and uncertainty around long-term energy usage. Lawmakers also noted increasing constituent concern and confusion around utility costs, emphasizing the need for clearer public communication. While no formal interim schedule was discussed, the range of issues raised—particularly around ratepayer impacts, infrastructure planning, and public communication—suggests the need for continued legislative engagement as data center development progresses.

Progressive Design-Build | The Senate Committee on Local Government, Elections and Pensions convened Monday afternoon to discuss passage of HB 2474, sponsored by Representative John Voss (R-Cape Girardeau). The bill updates Missouri law on the use of design-build contracts by political subdivisions, clarifies contractor selection procedures, creates a progressive design-build option, and outlines requirements for proposals, bonding, and licensing, while exempting certain entities with their own design-build rules. During discussion, a Senate Committee Substitute was adopted which included cooperative purchasing agreement language and made technical changes. Once modified, the committee passed the bill by a 5-1 vote.

Underground Facilities | The House took up and dedicated floor time Tuesday afternoon to debate SB 1629, sponsored by Senator Travis Fitzwater (R-Holts Summit). Currently, an underground facility owner shall ensure that all new and active underground facilities installed after August 28, 2025, with the exception of storm sewers, shall be installed with a detectable underground location device unless the facility can be detected above ground with an electronic device. The bill applies these provisions to underground facilities installed after August 28, 2026, with the exception of all storm sewers, regardless of the depth of installation. After a brief debate, the bill was truly agreed to and finally passed by a 142-0 vote. The bill now will be sent to the Governor for his signature or veto.

Solid Waste Management | The House Committee on Emerging Issues convened Wednesday morning to discuss passage of SB 1586, sponsored by Senator Ben Brown (R-Washington). The bill revises Missouri's solid waste management laws by strengthening disclosure requirements for properties containing disposal sites and modifying landfill and transfer station fee structures, while also restructuring the allocation of solid waste management funds. It adjusts how revenue is distributed within the Solid Waste Management Fund, including dedicating a portion to the cleanup of abandoned waste sites and reducing the share allocated to regional solid waste management districts, which continue to operate and administer grants. The legislation also reinforces oversight by the Department of Natural Resources and enhances accountability measures for grant funding and environmental management efforts. With no discussion, the committee passed the bill by a 7-5 vote.

Video Lottery Machines | On Wednesday, the Senate Select Committee on Gaming met in executive session to consider passage of HB 2989, sponsored by Representative Bill Hardwick (R-Dixon). The bill establishes the "Missouri Video Lottery Regulatory Act," creating a statewide licensing and regulatory framework for video lottery game terminals overseen by the Missouri Lottery Commission. As expected, with no discussion, the committee failed to pass the bill by a 0-5 vote.

Child Care Tax Credits | The Senate Committee on Emerging Issues and Professional Registration met in executive session Thursday morning to consider passage of HB 2409, sponsored by Representative Brenda Shields (R–St. Joseph). Currently Missouri faces a lack of safe, affordable, and reliable childcare. This has become a primary issue for businesses in recruiting and retaining employees. This legislation seeks to remedy this issue by establishing tax credits for the employer, employee and the childcare provider. These include the “Child Care Contribution Tax Credit Act,” “Employer Provided Child Care Assistance Tax Credit Act,” and “Child Care Providers Tax Credit Act.” With no discussion, the committee passed the bill by a 5-0 vote.