

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3533S.05F
 Bill No.: SS No. 2 for SCS for HCS for HB 1472
 Subject: Banks and Financial Institutions; Business and Commerce; Crimes and Punishment
 Type: Original
 Date: May 6, 2022

Bill Summary: This proposal modifies provisions relating to the offense of money laundering.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
General Revenue	(\$6,879)	(\$16,840)	(\$25,766)	(\$44,677)
Total Estimated Net Effect on General Revenue	(\$6,879)	(\$16,840)	(\$25,766)	(\$44,677)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Total Estimated Net Effect on FTE	0	0	0	\$0

- 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 2023	FY 2024	FY 2025	Fully Implemented (FY 2027)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

§574.105 – Money laundering

In response to a previous version (Perfect HCS HB 1472), officials from the **Department of Corrections (DOC)** stated this bill modifies the offense of money laundering. The bill intends to expand the scope of money laundering offense by adding other monetary instruments such as crypto currency, traveler's checks, personal checks, wires and money orders, investment securities in addition to physical currency. It also replaces currency transactions with financial transactions to expand the scope of monetary transactions.

In classifying additional activities as offenses under section 574.105, the proposal introduces the opportunity for additional convictions as class B felony offenses.

Given the seriousness of class B felony offenses and that the introduction of a completely new class B felony offense is a rare event, the department assumes the admission of one person per year to prison following the passage of the legislative proposal. Offenders committed to prison with a class B felony as their most serious sentence who were first released sometime during fiscal years 2019, 2020 and 2021, had an average sentence length of 9.0 years and served, on average, 3.4 years in prison prior to first release. The department assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

The cumulative impact on the department is estimated to be 5 additional offenders in prison and 0 additional offenders on field supervision by FY 2027.

Change in prison admissions and probation openings with legislation

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	1	1	1	1	1	1	1	1	1	1
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	0	0	0	0	0	0	0	0	0	0
Change (After Legislation - Current Law)										
Admissions	1	1	1	1	1	1	1	1	1	1
Probations										
Cumulative Populations										
Prison	1	2	3	4	5	5	5	5	5	5
Parole						1	2	3	4	4
Probation										
Impact										
Prison Population	1	2	3	4	5	5	5	5	5	5
Field Population						1	2	3	4	4
Population Change	1	2	3	4	5	6	7	8	9	9

	# to prison	Cost per year	Total Costs for prison	# to probation & parole	Cost per year	Total cost for probation and parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	1	(\$8,255)	(\$6,879)	0	absorbed	\$0	(\$6,879)
Year 2	2	(\$8,255)	(\$16,840)	0	absorbed	\$0	(\$16,840)
Year 3	3	(\$8,255)	(\$25,766)	0	absorbed	\$0	(\$25,766)
Year 4	4	(\$8,255)	(\$35,041)	0	absorbed	\$0	(\$35,041)
Year 5	5	(\$8,255)	(\$44,677)	0	absorbed	\$0	(\$44,677)
Year 6	5	(\$8,255)	(\$45,571)	1	absorbed	\$0	(\$45,571)
Year 7	5	(\$8,255)	(\$46,482)	2	absorbed	\$0	(\$46,482)
Year 8	5	(\$8,255)	(\$47,412)	3	absorbed	\$0	(\$47,412)
Year 9	5	(\$8,255)	(\$48,360)	4	absorbed	\$0	(\$48,360)
Year 10	5	(\$8,255)	(\$49,327)	4	absorbed	\$0	(\$49,327)

If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

If the projected impact of legislation is less than 1,500 offenders added to or subtracted from the department's institutional caseload, the marginal cost of incarceration will be utilized. This cost of incarceration is \$22.616 per day or an annual cost of \$8,255 per offender and includes such costs as medical, food, and operational E&E. However, if the projected impact of legislation is 1,500 or more offenders added or removed to the department's institutional caseload, the full cost of incarceration will be used, which includes fixed costs. This cost is \$88.12 per day or an annual cost of \$32,162 per offender and includes personal services, all institutional E&E,

medical and mental health, fringe, and miscellaneous expenses. None of these costs include construction to increase institutional capacity.

DOC's cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

Oversight does not have any information contrary to that provided by DOC. Therefore, Oversight will reflect DOC's estimated impact for fiscal note purposes.

In response to a previous version (Perfected HCS HB 1472), officials from the **Office of the Secretary of State (SOS)** noted 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.

Officials from the **Department of Revenue**, the **Department of Public Safety - Missouri Highway Patrol**, the **Missouri Office of Prosecution Services**, and the **Office of the State Public Defender** assume the proposal will have no fiscal impact on their organizations.

In response to a previous version (Perfected HCS HB 1472), officials from the **Attorney General's Office**, the **Department of Commerce and Insurance**, and the **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL</u> <u>IMPACT – State</u> <u>Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
Costs – DOC (\$574.105) Increased incarceration costs p. 3-5	(\$6,879)	(\$16,840)	(\$25,766)	(\$44,677)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$6,879)	(\$16,840)	(\$25,766)	(\$44,677)

<u>FISCAL</u> <u>IMPACT –</u> <u>Local</u> <u>Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2027)
	\$0	\$0	\$0	\$0

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

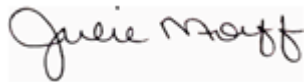
FISCAL DESCRIPTION

This bill modifies the statute related to the offense of money laundering. It replaces the definitions of "currency" with one for "monetary instruments" and it adds definitions for "financial transaction" and "transaction". The bill also replaces the term "currency transaction" with "financial transaction" in the factors establishing the offense.

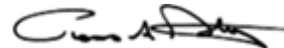
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Commerce and Insurance
Department of Corrections
Department of Revenue
Department of Public Safety
Missouri Office of Prosecution Services
Office of the State Courts Administrator
Office of the Secretary of State
Office of the State Public Defender



Julie Morff
Director
May 6, 2022



Ross Strobe
Assistant Director
May 6, 2022