

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3810S.05P
 Bill No.: Perfected SS for SCS for SB 835
 Subject: Contracts and Contractors; Banks and Financial Institutions; Credit and
 Bankruptcy; Property, Real and Personal; Cities, Towns, and Villages; Treasurer,
 State
 Type: Original
 Date: March 28, 2024

Bill Summary: This proposal modifies provisions relating to financial institutions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(Could exceed \$3,045,272)	(Could substantially exceed \$3,240,563)	(Could substantially exceed \$3,242,663)
Total Estimated Net Effect on General Revenue	(Could exceed \$3,045,272)	(Could substantially exceed \$3,240,563)	(Could substantially exceed \$3,242,663)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Other State Funds*	\$0 or Up to (\$7,400,000)	\$0 or Up to (\$8,880,000)	\$0 or Up to (\$8,880,000)
Total Estimated Net Effect on Other State Funds	\$0 or Up to (\$7,400,000)	\$0 or Up to (\$8,880,000)	\$0 or Up to (\$8,880,000)

*The current cap on the Linked Deposit Program under the Office of the State Treasurer (STO) is \$800 million. This proposal raises it to \$1.2 billion. According to a 2023 report by the STO, \$538.7 million was invested in the program. Therefore, Oversight has ranged the fiscal impact from \$0 (the program may not use monies above the \$800 million cap even with this bill and therefore this would **not** have an impact), to a potential loss of interest income if the STO had utilized the additional \$400 million in the Linked Deposit Program and could have earned an additional 3.0% of interest on those monies – broken down between General Revenue and Other State Funds. The fiscal note does not reflect any indirect positive benefits to the state resulting from this program increase.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE
Total Estimated Net Effect on FTE	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 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 2025	FY 2026	FY 2027
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 30.753

In response to a similar proposal from this year (SB 736), officials from the **Office of the State Treasurer (STO)** stated there is a potential opportunity cost associated with this proposal. The annual opportunity cost for this proposal is up to \$12,000,000 depending on utilization of the program. \$12,000,000 represents 3% of the \$400,000,000 increase included in the proposal. The STO believes that this cost would be offset by potential benefits received by participants in the program which are not sufficiently quantifiable to include in this response.

Oversight notes, according to a 2023 report issued by the STO (MO BUCK\$, Linked Deposits for small businesses, farms and communities), the following is a summary of Missouri Linked Deposit Program by Year:

2023	\$538,680,927
2022	\$292,092,410
2021	\$281,472,076
2020	\$437,486,163
2019	\$522,047,970

The report noted the current breakout for the Linked Deposit Program as follows:

Small Business Program	\$330,509,987
Job Enhancement Program	\$ 1,650,000
Alternative Energy Program	\$ 0
Agriculture Program	\$159,304,804
Local Government Program	\$ 1,548,933
Multi-Family Housing Program	\$ 45,667,203
Total Active Deposits	\$538,680,927

Oversight will use an opportunity cost (loss) for the additional monies earmarked and utilized in the Linked Deposit Program of 3.0%, as assumed by the STO above.

\$400,000,000 cap increase (\$800M – \$1.2B) x 3% = **\$12,000,000**.

The current (at December 31, 2023) balances of General Revenue and all other state treasury funds are:

General Revenue:	\$ 4,623,639,714	26%
All other state funds:	<u>\$13,374,106,600</u>	74%
TOTAL	\$17,997,746,314	

General Revenue	\$ 3,120,000 (26% x \$12M)
Other State Funds	\$ 8,880,000 (74% x \$12M)
TOTAL	\$12,000,000

Oversight notes that increasing the allocation for Linked Deposits could result in a decrease to state revenues (interest income) given that there are investments with higher interest rates of return that the STO could take advantage of. The interest rate environment with lending institutions will not be constant and Oversight is unable to determine the amount of businesses that would utilize the Linked Deposit program in the future. Therefore, Oversight will reflect a loss to general revenue of up to \$3,120,000 and a loss to other state funds of up to \$8,880,000.

Oversight also notes there is potential savings to local political subdivisions if they choose to utilize the Linked Deposit Program. Therefore, Oversight will reflect an unknown positive fiscal impact to political subdivisions to the extent they avail themselves of the increased linked deposit authority.

Oversight notes this increase in the Linked Deposit program may have positive benefits to the various Missouri businesses and entities that utilize the program. Oversight considers these benefits to be indirect impacts and have not reflected them in the fiscal note.

Oversight notes the amount of linked deposits per the MOBUCK\$ report as of 2023 (\$538,680,927) is below the current cap of \$800 million (\$261.3 million difference); however, the program utilization increased by \$246 million over the previous year. Therefore, Oversight will assume the STO may or may not utilize the new \$400M of cap space provided by this bill in any of the fiscal years reflected in the fiscal note. Therefore, Oversight will reflect the fiscal impact as \$0 (increasing the cap does not impact the amount of linked deposits made) to the estimates provided above.

Section 427.300 - Commercial Financing Disclosures

Officials from the **Department of Commerce and Insurance - Division of Finance (DOF)** state there are very few companies that provide the types of commercial financing products described in this section, though DOF does not have an exact number. When California passed something similar, they had two companies, DOF assumes Missouri will have less than five. The initial registration would be set at \$100 each, so up to \$500 total revenue in the first year. If all of the companies renewed annually, at \$50 each, subsequent years' revenue would be \$250. The registration process is not work intensive and would cost about \$36.53 to process (½ hour for an AOSA @\$19.91/hour + ½ hour for an Examiner @ \$53.15/hour = \$36.53). For five registrations, each year would cost \$182.61. Since there is no review or enforcement authority granted in the language, that is the extent of the fiscal impact.

Revenue FY 25 - \$0-\$500 FY 26 - \$0-\$250 FY 27 - \$0-250
Expense FY 25 - (\$183-\$0) FY 26 - (\$186-\$0) FY 27 (\$190-\$0)
Net Effect FY 25 - \$0-\$317 FY 26 - \$0-\$64 FY 27 \$0-\$60

Oversight assumes this proposal will result in a non-material amount of registration revenue and administrative expense, therefore, Oversight will reflect a zero impact in the fiscal note for DOF.

Oversight also notes §427.300.6 requires that any person who violates this section shall be punished by a fine of \$500 per incident, not to exceed \$20,000 for all aggregated violations. Any person who violates this section after receiving written notice of prior violation from the AGO shall be punished by a fine of \$1,000 per incident, not to exceed \$50,000 for all aggregated violations. Oversight will assume any potential fine revenue generated from this subsection will be distributed to local school districts instead of being credited to the state's Merchandising Practices Revolving Fund. For simplicity, Oversight will reflect a \$0 or Unknown amount of fine revenue received by school districts. Oversight notes these amount may act as a deduction in the following year school funding formula; however, Oversight will simply reflect a possible positive impact to schools from the fine revenue.

Senate Amendment 2

Officials from the **Department of Corrections (DOC)** state this proposal creates new provisions prohibiting discrimination against businesses based on environmental, social, and governance scores.

This legislation appears to limit the DOC's ability to score bidders based on their composite materials and institutional security, and could increase the possibility for litigation against the department if a bidder does not agree with the scoring process.

DOC states that the Missouri Vocational Enterprises uses some raw materials containing various levels of recycled content for some product lines. Since the recycled content may vary from one product supplier to another, this could potentially create a negative impact if the evaluation was considered "preferential treatment based on an environmental, social, and governance score."

It is unknown if, and when, a business would disagree with the procurement process. Therefore, this legislation could cause an unknown impact to the department.

In response to similar legislation, officials from the **Kansas City** assumed this proposal could have a negative fiscal impact on their city.

Oversight assumes because the potential for litigation is speculative, the DOC or any governmental agency that lets bids, will not incur significant costs related to this proposal.

Senate Amendment 1 to Senate Amendment 2

Oversight assumes Senate Amendment 1 to Senate Amendment 2 removes lines 26-58 in Senate Amendment 1. Oversight assumes this amendment will have no fiscal impact to state or local governments.

Senate Amendment 2 to Senate Amendment 2

Oversight assumes this amendment will have no fiscal impact to state or local governments.

Senate Amendment 3

Section 34.700

In response to a similar proposal from this year (SB 826), officials from the **Office of Administration - Budget and Planning (B&P)** assumed Section 34.700 would prohibit all public entities in Missouri from testing or accepting “central bank digital currency” (CBDC) as a form of payment. Section 400.1-201 excludes “central bank digital currency” from the definition of money.

B&P notes that CBDC is a digital currency that is a liability of the Federal Reserve. Currently, the United States has physical currency (i.e. cash) and electronic money (i.e. bank accounts / payment apps / online transactions). Electronic money is a liability of the commercial bank that holds the corresponding cash deposit. Whereas a CBDC would be liability of the Federal Reserve and there is no corresponding cash deposit.

B&P further notes that the U.S. Federal Reserve, and many other federal reserves across the world, are looking in to creating CBDCs for various reasons. However, this is no currently active CBDC.

Therefore, this provision will not currently impact public entities or state and local revenues. However, if a CBDC is developed in the future, the prohibitions contained within this provision could limit payment options for citizens in the future.

Officials from the **Department of Revenue (DOR)** state that their agency receives, processes and deposits the majority of all state revenue. DOR receives sales tax, individual income tax, corporate tax and various taxes and fees collected by state agencies that is then brought to DOR for deposit.

DOR currently accepts the following types of payments which are considered physical currency:

Coins created by the U.S. Mint including pennies, nickels, dimes and quarters.

- Dollar Bills printed by the Bureau of Engraving and Printing
- Personal/ Business Checks
- Money Orders
- Cashier’s Check
- Debit Cards
- Credit Cards
- Bank Transfers via electronic means

This proposal creates Section 34.700 which would prohibit any public entity from accepting payments using “central bank digital currency”. The Department of Revenue and all other state agencies would be subject to this prohibition as a public entity.

This proposal also adds the definition of “central bank digital currency” saying it includes a digital currency, a digital medium of exchange or a digital monetary unit of account issued by the United States Federal Reserve System.

Currently, the United States is using physical currency as its monetary system. It is a system that allows people to hold money in a physical form (such as dollar bills in your hand). A digital currency is a form of currency that would only exist in a digital or electronic form (such as cryptocurrency or bitcoin). It cannot be converted into a physical form.

The Federal Reserve is collecting comments on the possibility of creating a central bank digital currency system. One does **not** exist at this time. Under this proposal, should the Federal Reserve be allowed to create a central bank digital currency, the State of Missouri, its agencies (including DOR), and all its political subdivisions would be prohibited from accepting that currency as payment of any debt.

For informational purposes, in FY 2023, the State brought in \$13,234,562,879 in general revenue, \$1,204,232,139 in the School District Trust Fund, \$159,908,628 in the Conservation Commission Fund and \$127,826,635 for the DNR sales tax funds. At this time, since the digital currency does not exist, DOR assumes this will not have a fiscal impact to DOR, or state revenue.

Should digital currency be allowed to be used in the future, this could hamper the state’s ability to collect what is owed or inconvenience the taxpayers by limiting their payment options.

Oversight assumes the potential problematic payment options for citizens and potential problematic collection method for the state is speculative, therefore, Oversight will reflect a zero impact in the fiscal note.

In response to a similar proposal from this year (SB 826), officials from the **University of Missouri** assumed there will be some fiscal impact to the University but is unable to determine what the fiscal impact would be.

Senate Amendment 4
Section 143.121 Capital Gains and MAGI

In response to a similar proposal from this year (SB 735), officials from the **Office of Administration - Budget and Planning (B&P)** stated this section would allow Missouri taxpayers to subtract any capital gains from the sale or exchange of gold and/or silver from the taxpayer's Missouri Adjusted Gross Income (MAGI), if such capital gains were included in the taxpayer's Federal Adjusted Gross Income (FAGI), beginning with tax year 2025.

B&P is unable to determine how the amount of capital gains claimed by Missouri taxpayers. However, the total amount of capital gains claimed during tax year 2021, the most recent complete year available, was \$10,933,232,729. If even 1% of the capital gains resulted from the sale or exchange of gold and/or silver, B&P estimates that the loss to GR would have been \$5,247,952 ($\$10,933,232,729 \times 1\% \times 4.8\%$). Therefore, B&P estimates that this provision may have an unknown, but significant, loss to TSR and GR beginning with FY26 (for tax year 2025 capital gains).

Officials from the **DOR** state this part of the proposal requires that a taxpayer be allowed to subtract the amount of capital gain they receive from the sale or exchange of gold or silver from their Federal Adjusted Gross Income (FAGI) when calculating their Missouri Adjusted Gross Income (MAGI) thus lowering their taxable income.

Taxpayers report the sources of the capital gain on their federal tax returns and only their FAGI number is reported on the Missouri tax return. Therefore, DOR is unable to determine how much capital gain is reported from the sale or exchange of gold and silver in Missouri.

The Internal Revenue Service SOI data for 2020 (the most complete year) shows that total capital gains reported on the returns for the State of Missouri equaled \$10,621,746,000. If just 1% of these capital gains was a result of either gold or silver this could result in a loss to general revenue of \$5,098,438 ($\$10,621,746,000 * 1\% * 4.8\%$ tax rate).

This will require an additional line be added to the MO-A form, information would need to be added to their website and this would need to be added to their individual income tax computer system. These costs are estimated at \$8,923.

Section 408.010 – Legal Tender

In response to a similar proposal from this year (SB 735), officials **B&P** stated section 408.010 would allow gold and silver coinage to be legal tender in Missouri. B&P notes that certain gold and silver coins are already considered legal tender under Federal law. However, federal law prohibits the use of privately created gold and/or silver coins from being used as currency.

This section requires all state agencies to accept gold and silver as payment for debts and all costs incurred during value verification shall be paid by the state.

This section further prevents all state and local government bodies and courts from seizing any gold and silver held by a person, except as provided under the Criminal Activity Forfeiture Act. B&P notes that this would allow individuals and businesses to store or move assets into gold and/or silver to avoid having assets seized. This would allow taxpayers to move their assets to gold and/or silver coins to avoid paying back taxes to the state. Therefore, this provision may have a negative unknown impact to TSR, GR, as well as other state and local funds.

Officials from the **Department of Revenue** state this part of the proposal requires specie legal tender to be accepted as legal tender in Missouri and shall be allowed for the payment of all public debts. This proposal defines legal tender as a medium of exchange authorized by the United States and the state of Missouri. Specie in this section is defined as coins that are used for currency. Specie legal tender would be any coins issued by the U.S. Mint or Federal Government. It should be noted that Missouri and DOR already accept coins issued by the U.S. Mint.

This provision also requires electronic currency to be accepted as legal tender in Missouri and shall be allowed for the payment of all public debts. Per this proposal electronic currency is a representation of gold, silver, specie and bullion in an account which may be transferred by electronic instruction. It reflects the exact unit of physical specie or gold. DOR already accepts electronic currency that is tied to physical currency in the form of debit cards, credit cards, money orders, cashier's checks and electronic fund transfers. Per Section 34.700 added to this proposal would ensure that the only electronic currency that can be accepted is that tied to physical currency.

DOR receives, processes and deposits the majority of all state revenue. DOR receives sales tax, individual income tax, corporate tax and various taxes and fees collected by state agencies that is then brought to DOR for deposit. However, DOR does **not** accept and will continue to **not** accept any coinage that is in violation of 18 U.S. § 486. Acceptance of coins not considered legal tender per this federal statute can result in felony charges being brought by the Federal Government. Since this requires legal tender to be approved by the Federal Government in order to be accepted this will not result in any change of their current policies.

This proposal removes the prohibition of people paying their entire state debt in coins. Prior to this prohibition being in place, DOR would receive envelopes full of coins. Removing this language would allow customers to send in envelopes of coins and require DOR to get coin counting machines. DOR would need at least one in the Taxation Division, and 2 in the Motor Vehicle Driver License Division. These machines are estimated to cost \$250 each.

This proposal would require the State of Missouri to accept specie legal tender as payment of debt. It says that the cost incurred in the course of verification of the weight and purity of any specie received must be borne by the receiver. DOR assumes that since the majority of state revenue comes to the Department, DOR would be responsible for the verification process.

It should be noted that verification of weight and purity of specie can only be done by an Assayer. DOR does not currently have one on staff. Research indicates their average salary is around \$75,000 annually. DOR assumes should they have to verify the weight and purity of each coin, then DOR will need to have one full-time Assayer in the Jefferson City headquarters building where the majority of all payments are received. If DOR is required to accept specie at all of their locations (5) and licenses offices (173) DOR would need an Assayer at each location. For purposes of the fiscal note, DOR assumes all taxpayers wishing to pay in specie would need to conduct their business in the Jefferson City Headquarters Building.

If DOR is required to provide the Assayer that all agencies would use for verifying their gold and silver, then DOR would assume a central computer program would need to be build for DOR and the agencies to be able to track these payments. This program could be expected to cost up to **\$100,000** for all agencies.

While this proposal indicates that DOR would be responsible for the verification of the weight and purity of the specie legal tender accepted, this proposal does not require DOR to accept it at anything other than par values (face value). Since the definition of specie in this proposal refers to uniform coins used as a medium of exchange and whose weight and purity is known, DOR assumes they can accept all U.S. minted coins as their face value. By doing so, DOR would not need an Assayer.

The Department is unable to determine how many people will want to pay with specie rather than dollar bills. DOR assumes that this proposal:

- It will require the need for at least three coin-counters for each of the divisions. \$250 each.
- State will need a new contract with a bank that can handle increased volume of coins and specie. Current contract allows only minimal coins.
- Larger safe for the Cashiering team that receive money from other agencies for deposit. Their current safe is not designed to handle large sums of coins.
- Updates to their numerous payment systems to recognize that these types of payments were made. These would include taxation's MyTax, and the motor vehicle and driver license systems' FUSION. ITSD estimates at least \$38,000 for the necessary updates per division (3 divisions x \$38,000 = **\$114,000**).

DOR estimates these additional costs for their building, equipment and security could exceed \$100,000.

In response to a similar proposal from this year (SB 735), officials from the **Department of Labor and Industrial Relations (DOLIR)** stated if this bill is interpreted to allow the Division of Employment Security (DES), Division of Workers' Compensation (DWC) and Division of Labor Standards (DLS) to accept Gold/Silver coinage in the repayment of debt, this could cause an unknown impact to DES, DWC and DLS. The DES, DWC and DLS would incur the cost of the verification of the weight and purity of the Gold/Silver. At this time, DOLIR does not have a way to estimate the cost.

Officials from the **Department of Mental Health (DMH)** state they are unable to determine when and how often the department would receive payment in the form of gold or silver coins. Accepting payment in this form would create a substantial burden on DMH due to calculating value, determining purity and authenticity, and cost of depositing or selling. The fiscal impact from this additional administrative work is unknown.

While coins minted by the US Treasury are legal tender, it is not widely used in financial transactions. The proposal states the state shall accept gold and silver coinage, but does not specify that coinage must be minted by the US Treasury. Gold and silver coins created outside the US Treasury are not excluded. U.S. Const., Art. 1, §10, cl. 1 allows states to recognize gold and silver coinage as tender; however, the limits of this provision are largely untested in federal courts.

In response to a similar proposal from this year (SB 735), officials from the **Department of Social Services (DSS)** stated the MO HealthNet Division (MHD) is unable to determine how many people will want to pay with gold and silver rather than other forms of payment. Currently, the MHD has no way to determine the verification of the weight and the value of the purity of the gold or silver upon acceptance. If a participant chooses to pay with either gold or silver, the MHD would have to seek out different options in order for that payment to be assessed, including but not limited to, seeking out an Assayer to determine its value. The MHD assumes these instances would be minimal and therefore, would be minimal to no impact to the MHD.

This proposal in 408.010.4 also prevents all state and local governmental bodies from seizing any gold or silver that is owned by a person. Per RSMo 473.398, MHD is directed to collect debts owed to the State related to Medicaid claims. If all or a portion of assets are in gold or silver, it could limit the amount MHD can collect. The MHD is estimating that up to 1% of collections could be impacted by this legislation. On average, the MHD collects around \$18 million per year. Therefore, the impact to MHD is \$0 to \$180,000 per year.

FY25: Total - \$0 - \$180,000

FY26: Total - \$0 - \$180,000

FY27: Total - \$0 - \$180,000

DSS - Family Support Division (FSD):
Section 408.010:

Income Maintenance (IM):

Currently, FSD Income Maintenance (IM) does not accept any payment for any programs administered by IM. However, when an individual has been found to have incorrectly received benefits administered by FSD, a claim is filed and payment for the overpayment is submitted as repayment to the Department of Finance and Administrative Services (DFAS).

Child Support (CS):

Proposed subsection 408.010.2 would allow specie and electronic currency to be legal tender in Missouri.

This proposal will require the FSD CS program to accept specie and electronic currency as payment for child support obligations, for annual federal fee payments made by the obligor and for recovery payments. Child support payments are processed by FSD's State Disbursement Unit, the Family Support Payment Center (FSPC) which is run by FSD's contractor Systems & Method, Inc. (SMI). Fees and recovery payments are processed by the Division of Finance and

Administrative Services (DFAS). FSD assumes specie legal tender to be precious metal (gold, silver, platinum and palladium) coin that is issued by the federal government and any other specie. FSD also assumes electronic currency is digital currency that encompasses any currency, money or money-like asset that is stored or exchanged on computer systems.

Under proposed 408.010.3, the FSD CS program will be required to accept specie legal tender and electronic currency. Specie coinage is a commodity that changes in value daily. Depending on the time it takes to convert the specie, the spot price could have changed leaving a balance or excess amount. Electronic currency (cryptocurrency) is influenced by supply and demand that creates a price volatility that could change the value. Depending on the time it takes to convert the electronic currency, the value of the currency could change leaving a balance or excess amount.

The FSD CS program is unable to determine how many people will want to pay with specie legal tender or electronic currency rather than other forms of payment but it is assumed it would be minimal. Currently, the FSD CS program has no experience or ability to accept specie legal tender or electronic currency as payment.

In order to comply with accepting specie legal tender, the FSD CS program would need to enter into a contract with a financial entity that would accept and convert the specie into a form of payment accepted by FSPC. FSD CS or the financial entity may also need to contract with an assayer that would be able to verify the weight and value of the purity of the specie.

In order to comply with accepting electronic currency, FSD assumes, for the purpose of this fiscal note, OA Accounting would enter into a contract with a financial broker that would accept electronic currency and convert the electronic currency into a form of payment accepted by FSD. The FSD CS program notes that under 408.010.5 (1), obligors could move assets into specie legal tender or electronic currency in order to avoid having assets attached by the FSD CS program for child support. It is unknown how many obligors may move assets into specie legal tender or electronic currency and the negative impact for this is unknown.

The Family Support Payment Center (FSPC) collects and disburses payments for child support cases meeting the criteria under 454.530, RSMo, and [45 CFR 302.32](#). FSPC is required under federal and state law to disburse support payments within two business days after receipt. The FSD CS program would be required to process and disburse child support payments received in specie or electronic currency within the two day time frame to be in compliance with the Title IV–D state plan. As the specie and electronic currency would have to be authenticated and converted into a form of payment accepted by the FSPC prior to the FSPC processing and disbursing the payment, the FSD CS program anticipates the processing time could exceed the two–day time frame required for payment disbursement thereby risking state compliance.

If the FSD child support program does not disburse payments within two business days of receipt, Missouri could have IV–D state compliance implications. Title IV–D state plan noncompliance will result in the loss of federal funding for the state’s child support program

(\$53.8 million for FFY 2023). Having an approved Title IV–D state plan is a condition of eligibility for a Temporary Assistance for Needy Families (TANF) block grant under Title IV–A of the Social Security Act. If the Federal government determines Missouri’s IV–D state plan is noncompliant, Missouri’s TANF funding (\$216.3 million) could potentially be reduced. FSD is unsure how much the reduction in funding would amount to; therefore, this amount is not included in the overall fiscal impact of this legislation. In order to continue child support program services at its current level, any loss of federal funding would have to be replaced with general revenue. Therefore, the fiscal impact of non–compliance would range from \$0 to \$53.8 million general revenue.

FSD assumes that any form of electronic currency would need to be liquidated into cash form to be able to receive as payment. FSD assumes that a financial broker would be procured by the state of Missouri to handle this function for all departments.

FSD defers to OA-Accounting for the fiscal impact to receive electronic currency as a form of payment. The FSD estimates that the impact of entering into a contract with a financial entity and/or assayer to process specie legal tender will be \$0 to \$100,000 per year.

Therefore, total DSS impact would be \$0 to \$280,000 per year to the General Revenue Fund.

In response to a similar proposals from this year officials from the **Office of the State Treasurer** stated section 408.010.2 proposes that “specie legal tender and electronic currency [as defined under the proposal] shall be accepted as legal tender for payment of all public debts” and 408.010.3 requires that “[t]he state of Missouri shall accept specie legal tender and electronic currency as payment for any debt, tax, fee, or obligation owed. Costs incurred in the course of verification of the weight and purity of any specie legal tender or electronic currency during any such transaction shall be borne by the receiving entity.” This requirement has **no fiscal impact** for the STO, but would likely have an impact on all agencies receiving payments for any debt, tax, fee or obligation owed as the agencies would necessarily store, protect, assay, and transport specie.

Oversight will reflect a potential cost to all state agencies as well as local political subdivisions or \$0 or an unknown amount for the administrative burden of accepting, valuing, storing and depositing gold and silver payments.

Officials from **Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount. Section 408.010, RSMo has a negative fiscal impact because the cost of verification of weight and purity and it must be performed by an Assayer which the City will have for hire and fill a position. In addition, the City will not be able to seize gold and silver. Therefore, if the City has a judgment, the person can convert to gold or silver and avoid taxes.

Section 408.010.5 Seizing of specie legal tender

Officials from the **Department of Revenue** state this part of the proposal prevents all state and local governmental bodies from seizing any specie legal tender or electronic currency that is owned by a person. If a taxpayer owes DOR back taxes, they will have the opportunity to move all their income to these items and prohibit DOR from being able to collect the back taxes owed. DOR is unable to determine how much this will impede their collection efforts. This impact is expected to be unknown.

This proposal in 408.010.5(1) prevents all state and local governmental bodies from seizing any specie legal tender or electronic currency that is owned by a person. If a taxpayer owes DOR back taxes, they will have the opportunity to move all their income to these items and prohibit DOR from being able to collect the back taxes owed. DOR is unable to determine how much this will impede their collection efforts. This impact is expected to be unknown.

Bill as a whole:

Officials from the **Office of Administration - Administrative Hearing Commission**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Public Safety**, the **Department of Social Services**, the **Missouri Department of Transportation**, the **Missouri National Guard**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Missouri Office of Prosecution Services**, the **State Tax Commission**, the **Missouri House of Representatives**, the **Legislative Research** and the **Oversight Division** each assume the proposal will have no fiscal impact on their respective 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 IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Loss</u> opportunity for higher returns STO – if additional monies are utilized in the Linked Deposit Program §30.753	\$0 or More or Less than (\$2,600,000)	\$0 or More or Less than (\$3,120,000)	\$0 or More or Less than (\$3,120,000)
<u>Loss</u> – DOR §143.121 – capital gains on the exchange of gold and silver now a deduction for MAGI calculation	\$0	(Unknown – potentially significant)	(Unknown – potentially significant)
Costs – DOR §408.010	Could exceed...	Could exceed....	Could exceed.....
Personal Service	(\$62,500)	(\$76,500)	(\$78,030)
Fringe Benefits	(\$35,788)	(\$43,493)	(\$44,051)
Expense & Equipment	(\$22,984)	(\$570)	(\$582)
Assayer equipment	(\$10,000)	\$0	\$0
Computer programs & updates	(\$214,000)	\$0	\$0

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
Security measures	<u>(\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs	<u>(\$445,272)</u>	<u>(\$120,563)</u>	<u>(\$122,663)</u>
FTE Change	1 FTE	1 FTE	1 FTE
<u>Costs</u> – Various State Agencies - §408.010 – potential cost to verify the weight and purity of any gold or silver coinage received as payment	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<u>Loss</u> – DOR §408.010.5 – removal of gold and silver coins as seizable assets	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(Could exceed \$3,045,272)</u>	<u>(Could substantially exceed \$3,240,563)</u>	<u>(Could substantially exceed \$3,242,663)</u>
Estimated Net FTE Change on General Revenue	Could exceed 1 FTE	Could exceed 1 FTE	Could exceed 1 FTE
OTHER STATE FUNDS			
<u>Loss</u> opportunity for higher returns STO – if additional monies are utilized in the Linked Deposit Program	\$0 or Up to <u>(\$7,400,000)</u>	\$0 or Up to <u>(\$8,880,000)</u>	\$0 or Up to <u>(\$8,880,000)</u>
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>\$0 or Up to (\$7,400,000)</u>	<u>\$0 or Up to (\$8,880,000)</u>	<u>\$0 or Up to (\$8,880,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – Local governments - §408.010 – potential cost to verify the weight and purity of any gold or silver coinage received as payment	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Potential Fine Revenue – to school districts – RSMo §427.300.6</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Certain small business lenders and banks could be impacted by this proposal.

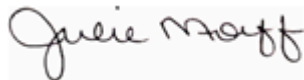
FISCAL DESCRIPTION

This proposal modifies provisions relating to financial transactions.

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 Commerce and Insurance
 Missouri Department of Agriculture
 Office of the State Courts Administrator
 Office of the State Treasurer
 Kansas City
 O’Fallon



Julie Morff
 Director
 March 28, 2024



Ross Stroe
 Assistant Director
 March 28, 2024