

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5286H.07T  
 Bill No.: Truly Agreed To and Finally Passed HCS for SS for SB 1359  
 Subject: Business and Commerce; Insurance - General; Insurance - Life; Banks and  
 Financial Institutions  
 Type: Original  
 Date: June 7, 2024

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Bill Summary: This proposal modifies business standards for certain financial institutions.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund	(\$2,669,667)	(\$7,536,946)	(\$8,009,224)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$2,669,667)</b>	<b>(\$7,536,946)</b>	<b>(\$8,009,224)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Division of Finance Fund (0550)*	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

\*Oversight assumes the Department of Commerce and Insurance – Division of Finance will charge and collect fees sufficient to cover their cost to administer the new Money Modernization Act of 2024. Oversight assumes the net difference between fees and costs each year will not reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

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

\* Income and costs are estimated to be \$14 million annually beginning in FY 2026 and net to zero.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 208.151 - MO HealthNet benefits for persons who have been diagnosed with breast or cervical cancer

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state this legislation amends Chapter 208 and adds one new section that would create additional pathways for Breast and Cervical Cancer Treatment (BCCT) participants to be screened. This legislation would apply to the MO HealthNet (MHD) Fee-for-Service state plan. MHD identified 1,365 potential eligible participants that could enroll in this program. MHD projected that within the first year (FY25), this population would ramp up over the first 10 months. An average monthly cost of \$1,238 for BCCT participants was determined. A 6.3% medical inflation rate was used for FY26 and FY27.

FY25: Total – \$7,625,957 (GR - \$2,645,444; Federal - \$4,980,512)

FY26: Total – \$21,555,633 (GR - \$7,477,649; Federal - \$14,077,984)

FY27: Total – \$22,913,638 (GR - \$7,948,741; Federal - \$14,964,897)

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DSS, MHD.

In response to a similar proposal from this year (HB 2875), officials from the **Newton County Health Department** 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 these agencies.

#### §§303.425 - 303.440 - Motor Vehicle Financial Responsibility

Officials from the **Department of Revenue** assume no fiscal impact from the proposal. DOR states the bill extends the implementation date of the provisions, and has some clean-up measures to ensure optimal implementation.

Officials from the **Department of Commerce and Insurance (DCI)** believe the costs of this bill can be absorbed within current appropriations. However, should the cost be more than anticipated, the department would request an increase in FTE and/or appropriations as appropriate through the budget process.

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

Repeal of Sections 361.700- 361.727 and enactment of Sections 361.900– 361.1035 – Money Transmitter

Officials from the **Department of Commerce and Insurance (DCI) – Division of Finance (DOF)** assume the following:

DOF assumes these sections these sections authorize the commissioner of the Division of Finance (DOF) to administer, interpret, and enforce Sections 361.900-361.1035. It provides rulemaking authority for the DOF and addresses confidentiality of information submitted by licensees and applicants. It further permits the commissioner to enforce sections and regulations pertaining to money transmitters, and outlines required submissions by applicants for a money transmitter license.

All revenue and expenses would be deposited and deducted from the Division of Finance Fund (0550).

Revenue Estimate

Money transmitter companies are currently licensed under Sections 361.700-361.727. If passed these sections would be repealed and replaced by Sections 361.900-361.1035. For the purposes of this estimate, DOF assumes all of the 171 entities currently licensed under 361.700-361.727 would convert their license to that which is authorized by Sections 361.900-361.1035.

Section 361.921

This section allows DOF to charge each money transmitter licensed under these sections for costs associated with their annual examinations. DOF assumes the commissioner will set licensure and renewal fees at a level to sustain the program without charging for licensee examinations.

Section 361.936

An Initial Application Fee and a License Fee set by the commissioner is required with the submission of an application for license. The fee would be set based on the cost to sustain operation of the licensure program. Licenses would be effective on the date of issuance by DOF and would expire on December 31 of each year. Annual renewal fees would be set by the commissioner based on the total operating expenses of the program.

Section 361.951

A fee set by the commissioner is required to accompany a request to acquire control of a licensee along with an application for acquisition. DOF estimates that 10%, or 9 such transactions would take place each year. The fee would be set at an amount sufficient to sustain operation of the program based on estimated operating costs.

Section 361.1026

This section authorizes the director to assess civil penalties for violations of 361.900-361.1035.

### Revenue Loss

Since all of those currently licensed under Sections 361.700-361.727 are assumed to transition to these new licenses, DOF expects a loss of revenue from renewals under 361.700-361.727. The fee for renewals is \$400 annually, resulting in a revenue loss of an estimated \$68,400.

### Expense Estimate

Expense estimates include a 2% annual inflation rate.

### Section 361.921.1(1)

DOF assumes this section authorizes examinations of licensees which would be conducted by a Senior Consumer Credit Examiner. Regular examinations would take place biennially, with half of the licensees examined each year. This would require an estimated 86 examinations be performed each year. It is estimated that a Senior Consumer Credit Examiner would spend an average of forty hours to complete an examination. Completed examinations would be submitted to the central office of the Division for compilation and formatting by an Administrative Office Support Assistant (AOSA). Examinations would be reviewed and approved by the Supervisor of Consumer Credit, estimated to take three hours for each examination.

Based on the average salaries of \$53.15 for a Senior Consumer Credit Examiner; \$19.91 per hour for an AOSA; and \$64.46 for the Supervisor of Consumer Credit. The personal service cost for each examination is estimated at \$2,339. Travel expenses are estimated at \$500 - \$2,500 per examination depending on the location of the licensee. For this estimate, the median of \$1,500 per exam was used.

Applications submitted pursuant to Section 361.936 would be reviewed by a Senior Consumer Credit Examiner, requiring an estimated 8 hours each; the Supervisor of Consumer Credit would spend an average of 1 hour reviewing recommendations of the Senior Consumer Credit Examiner regarding licensure approval or denial. It would take an average of 1 hour for the AOSA to process the approval or denial of each application.

Renewal of licenses for money transmitters would be completed on an annual basis, beginning January 1 after of the date of original issuance. Because the number of money transmitters has been fairly stable, it is estimated that ten would opt not to renew their licenses in FYs 2026 and 2027, but would be replaced by new licensees. Renewal requests would be reviewed by a Senior Consumer Credit Examiner, taking an average of 6 hours each. Review of the recommendation for approval or denial would be handled by the Supervisor of Consumer Credit taking approximately one hour. The AOSA would then process the renewal license or denial at one hour per license.

Those entities seeking to acquire control of a money transmitter license are required to submit an application for acquisition. DOF assumes approximately 10% of licenses would have an acquisition application filed each year. For these 9 applications, an average of eight hours would be required for review by a Senior Consumer Credit Examiner, one hour of review of the recommendation of approval or denial by the Supervisor of Consumer Credit, and one hour to

process the approval or denial of the acquisition.

Sections 361.957 – 361.963

DOF assumes these sections require money transmitters to submit several reports to the Division including financial statements, reports of condition, and special events that affect the licensee. DOF estimates it would take a Senior Consumer Credit Examiner six hours to review each report and the Supervisor of Consumer Credit an average of one hour each to address any concerns identified by the Examiner.

Fringe Benefits are estimated at the standard rate. Supplies and expenses for employees assigned to this program are estimated at \$11,261 per FTE annually. Because the majority of Consumer Credit examination staff are telecommuters, rent and janitorial expenses would only be necessary for the AOSA and Supervisor positions.

DOF administrative support services, including general administration, training, human resources, accounting, budget, legal, and information technology services are covered in a 15% administrative overhead rate. This includes promulgation of rules and development of forms and websites to support these sections.

Cost Savings

Since those currently licensed under Sections 361.700-361.727 would transition to these new licenses, DOF expects that 171 renewals will not be processed, saving an estimated \$68,400.

DOF assumes that this workload would be picked up by existing staff since repealed Sections 361.700-361.727 would eliminate some existing workload.

Because the commissioner determines the fees associated with licensures and renewals under 361.900-361.1035, DOF assumes the fees would be set at a level sufficient to sustain the operations of the program. Therefore, the net effect on the Division of Finance Fund (0550) would be \$0.

Listed below is a summary revenue and expenses expected by DCI-DOF as a result of this proposal.

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Revenue – Money Transmitter Fees	\$680,533	\$694,144	\$708,028
Cost Avoidance	\$68,400	\$68,400	\$68,400
FTE Expense	(\$680,533)	(\$694,144)	(\$708,028)
Licensing Fees Loss	(\$68,400)	(\$68,400)	(\$68,400)
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Oversight** notes the cost related to the FTE expense provided by DOF is for existing staff and not additional FTE. Oversight assumes DOF will have some additional expense related to the proposal, however, Oversight also assumes DOF will set the associated fees of the newly created license sufficient enough to sustain the program without any additional cost or loss to the department. Oversight will reflect an unknown revenue and an unknown cost to the Division of Finance Fund (0550), roughly netting to zero.

DOF assumes all of the 171 entities currently licensed under 361.700-361.727 would convert their license to that which is authorized.

Therefore, Oversight will reflect the fiscal estimate to the Division of Finance Fund (0550) as a net revenue of Unknown.

Officials from the **Department of Corrections (DOC)** state the proposal modifies provisions relating to financial transactions.

DOC assumes section 361.981 includes one class E felony penalty and one class A misdemeanor penalty applicable to instances in which an authorized delegate fails to remit money in accordance with the written contract required by subsection 2 of section 361.1275 or as otherwise directed by the licensee or required by law.

DOC assumes section 361.1023 associates two class E felony penalties and one class A misdemeanor penalty with violations of requirements under sections 361.900 to 361.1035.

Misdemeanor penalties are not generally within the purview of the department.

The bill creates three new class E felonies.

For each new nonviolent class E felony, the department estimates one person could be sentenced to prison and two to probation. The average sentence for a nonviolent class E felony offense is 3.4 years, of which 2.1 years will be served in prison with 1.4 years to first release. The remaining 1.3 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the department is estimated to be 6 additional offenders in prison and 21 additional offenders on field supervision by FY 2027.

**Change in prison admissions and probation openings with legislation**

	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
<b>New Admissions</b>										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	3	3	3	3	3	3	3	3	3	3
<b>Probation</b>										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	6	6	6	6	6	6	6	6	6	6
<b>Change (After Legislation - Current Law)</b>										
Admissions	3	3	3	3	3	3	3	3	3	3
Probations	6	6	6	6	6	6	6	6	6	6
<b>Cumulative Populations</b>										
Prison	3	6	6	6	6	6	6	6	6	6
Parole	0	0	3	3	3	3	3	3	3	3
Probation	6	12	18	18	18	18	18	18	18	18
<b>Impact</b>										
Prison Population	3	6	6	6	6	6	6	6	6	6
Field Population	6	12	21	21	21	21	21	21	21	21
<b>Population Change</b>	<b>9</b>	<b>18</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>

\* 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 \$26.545 per day or an annual cost of \$9,689 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 \$99.90 per day or an annual cost of \$36,464 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.

A summary of DOC cost is provided in the table below:



	# to prison	Cost per year	Total Costs for <b>prison</b>	# to probation & parole	Cost per year	Total cost for <b>probation and parole</b>	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	3	(\$9,499)	(\$24,223)	0	absorbed	\$0	(\$24,223)
Year 2	6	(\$9,499)	(\$59,297)	0	absorbed	\$0	(\$59,297)
Year 3	6	(\$9,499)	(\$60,483)	0	absorbed	\$0	(\$60,483)
Year 4	6	(\$9,499)	(\$61,692)	0	absorbed	\$0	(\$61,692)
Year 5	6	(\$9,499)	(\$62,926)	0	absorbed	\$0	(\$62,926)
Year 6	6	(\$9,499)	(\$64,185)	0	absorbed	\$0	(\$64,185)
Year 7	6	(\$9,499)	(\$65,468)	0	absorbed	\$0	(\$65,468)
Year 8	6	(\$9,499)	(\$66,778)	0	absorbed	\$0	(\$66,778)
Year 9	6	(\$9,499)	(\$68,113)	0	absorbed	\$0	(\$68,113)
Year 10	6	(\$9,499)	(\$69,476)	0	absorbed	\$0	(\$69,476)

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect estimate provided by DOC to the General Revenue Fund for FY 2025, FY 2026 and FY 2027.

Officials from the **Office of the State Courts Administrator (OSCA)** assume there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

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

In response to a similar proposal from this year (HCS/HB 2087), officials from the **Office of Budget & Planning** stated this proposal creates new class E felonies and class A misdemeanors. To the extent that any related fines are deposited into the state treasury, this proposal could increase total state revenue by an unknown amount.

The Division of Finance has previously assumed that all of the entities currently licensed would convert their license to that which is authorized under the new sections. Because the commissioner determines the fees associated with licensures and renewals under this legislation, DOF has previously assumed the fees would be set at a level sufficient to sustain the operations of the program and furthermore assumed the net effect on the fund balance would be \$0. B&P notes that TSR may be impacted if fees and revenues are set at a level where the net impact on the fund is not \$0.

Officials from the **Missouri Sheriffs' Retirement System** stated that this legislation may have a negative impact if this legislation passes. The Retirement System hires investment managers to invest its assets based on the investment policy. Setting constraints on investment guidelines has

a potential of limiting investment earnings used to finance the retirement system. At the time the negative impact is unknown.

**Oversight** assumes because the potential of limiting investment earnings is speculative that the Missouri Sheriffs' Retirement System will not incur significant cost related to this proposal. Therefore, Oversight will reflect a zero impact in the fiscal note.

#### Sections 362.1010 – 362.1117 - Missouri Family Trust Company Act

Officials from the **Department of Commerce and Insurance (DCI)** assume this bill transfers oversight of Family Trusts and Foreign Family Trusts from the Missouri Secretary of State's Office to the DCI's Division of Finance (DOF).

Sections 362.1010-362.1117 assign oversight of Family Trust and Foreign Family Trusts to the Director or Designee of DOF. This would include registration of new trusts and annual renewal of existing trusts. According to the Secretary of State, there are currently three active Trusts in Missouri. Since those trusts will not be required to submit an initial application, DOF assumes that only an annual registration report accompanied by a \$1,000 filing fee would be collected from each of these trusts, resulting in an income of \$3,000 annually. This funding would be used to provide oversight of Family and Foreign Family Trusts in Missouri. DOF does not anticipate any new trusts filings. The net fiscal impact for this section would be \$0.

The Director of DOF or Designee may perform examinations and investigate allegations of violations of these sections and may charge the trust company for salary and expenses of the examiner or investigator. Since the amount charged would be limited to actual expenses, this section's fiscal impact would net to \$0.

The Director may impose penalties and late fees and suspend registrations of a trust for failure to submit a timely registration report. Reinstatement of a trust would occur by submission of the annual registration report, a late fee, and any penalty imposed by the Director. DOF does not anticipate any reports will be submitted late, resulting in fiscal impact for this section as \$0.

The Director shall issue a fee schedule based on the time and resources required to issue certified copies of documents as prescribed in Section 362.110. The section's fiscal impact would net to \$0.

All fees and penalties would be deposited to the Family Trust Company Fund (0810) and expenses relating to oversight of these companies would be paid from this fund via a transfer to the Division of Finance Fund (0550). Therefore, DOF assumes the net impact of this proposal is \$0.

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

**Oversight** assumes the Office of the Secretary of State could have a potential minor savings from the transfers of oversight of the Family Trusts and Foreign Family Trusts from the Missouri Secretary of State’s Office to the DCI's Division of Finance (DOF). Oversight assumes the fiscal impact would ultimately net to \$0 or be immaterial and therefore will not reflect a fiscal impact on the fiscal note.

Section 374.192

Officials from the **Department of Commerce and Insurance (DCI)** assume the costs of provision can be absorbed within their current appropriations. However, should the cost be more than anticipated, the department would request an increase in FTE and/or appropriations as appropriate through the budget process.

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

Section 427.300 – Financial Disclosure Law

Officials from the **Department of Commerce and Insurance (DCI)** state there are very few companies that provide the types of commercial financing products described in this section, though the Division of Finance (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 of enforcement authority granted in the language, that is the extent of the fiscal impact.

	FY 2024	FY 2025	FY 2026
Revenue	\$0-\$500	\$0-\$250	\$0-250
Expense	(\$183-\$0)	(\$186-\$0)	(\$190-\$0)
Net Effect	\$0-\$317	\$0-\$64	\$0-\$60

**Oversight** assumes these amounts are not material and will not reflect them in the fiscal note.

**Oversight** 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.

Bill as a whole:

Officials from the **Attorney General's Office**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety (Fire Safety, Directors Office, Missouri Highway Patrol, Missouri Veterans Commission, Alcohol and Tobacco Control, State Emergency Management Agency)**, the **Office of the Governor**, the **Missouri Department of Agriculture**, the **Missouri Department of Transportation**, the **Missouri National Guard**, the **MoDOT & Patrol Employees' Retirement System**, the **Office of the State Auditor**, the **Missouri Department of Conservation**, the **Missouri House of Representatives**, the **Joint Committee on Education**, the **Joint Committee on Public Employee Retirement**, the **Legislative Research**, the **Oversight Division**, the **Missouri Senate**, the **Office of the State Treasurer**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Office of Administration**, the **Missouri Office of Prosecution Services**, the **Missouri State Employee's Retirement System**, the **State Tax Commission**, the **County Employees Retirement Fund**, the **Kansas City Civilian Police Employees Retirement** and the **Kansas City Police Retirement System**, the **Kansas City Public School Retirement System** and the **Public Schools and Education Employee Retirement Systems** 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.

In response to a previous version, officials from the **Office of Administration - Administrative Hearing Commission**, the **Department of Public Safety – Capital Police**, the **Missouri Ethics Commission** and **Office of the State Public Defender** the 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.

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.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other schools and retirement systems were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Costs – DSS, MHD (§208.151)</u> Additional Breast and Cervical Cancer Treatment (BCCT) participants screenings p. 3	(\$2,645,444)	(\$7,477,649)	(\$7,948,741)
<u>Cost – DOC (§§361.900 - 631.1035)</u> Incarceration Cost p. 7-9	(\$24,223)	(\$59,297)	(\$60,483)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$2,669,667)</b>	<b>(\$7,536,946)</b>	<b>(\$8,009,224)</b>
<b>DIVISION OF FINANCE FUND (0550)</b>			
<u>Revenue – DOF (§§361.900-631.1035)</u> Application, Licensing & Acquisitions from Money Transmission Modernization Act of 2024 p.3-7	Unknown	Unknown	Unknown
<u>Cost – DOF (§§361.900-631.1035)</u> FTE additional workload and additional costs implementing the Money Transmission Modernization Act of 2024 p.3-7	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<u>Savings</u> – DOF (repeal of Sections 361.700-361.727) Administrative costs p.3-7	\$68,400	\$68,400	\$68,400
<u>Loss</u> – DOF (repeal of Sections 361.700-361.727) - Loss of licensing fees from repeal of sections p.3-7	(\$68,400)	(\$68,400)	(\$68,400)
<b>ESTIMATED NET EFFECT TO THE DIVISION OF FINANCE FUND</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>
<b>FEDERAL FUNDS</b>			
<u>Income</u> - DSS, MHD (§208.151) Program reimbursements p. 3	\$4,980,513	\$14,077,984	\$14,964,897
<u>Costs</u> – DSS, MHD (§208.151) Additional Breast and Cervical Cancer Treatment (BCCT) participants screenings p. 3	(\$4,980,513)	(\$14,077,984)	(\$14,964,897)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>SCHOOL DISTRICTS</b>			
<u>Potential Fine Revenue</u> – to school districts – (§427.300.6) p.10-11	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT TO SCHOOL DISTRICTS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

### FISCAL IMPACT – Small Business

A direct fiscal impact to mutual insurance companies could be expected as a result of this proposal.

Small business medical clinics could see an increase in patients for screening for breast or cervical cancer.

A direct fiscal impact to small businesses that act as a money transmitter would be expected as a result of this proposal as well as certain small financing businesses.

There could be a direct fiscal impact to small businesses who handle or apply for real estate and agricultural loans as a result of this proposal.

### FISCAL DESCRIPTION

This act modifies provisions relating to financial institutions.

#### DEPOSITORY INSTITUTIONS FOR MUNICIPALITIES (Sections 110.075, 95.280, 95.285, and 95.355)

This act provides that municipalities shall select a municipal depository with a state-chartered or federally chartered banking institution through a competitive process. Each municipality shall develop requirements for a request for proposals, as provided in the act, to provide to banking institutions interested in becoming a municipal depository.

The governing body of a municipality shall select a banking institution and shall enter into a contract outlining the terms and conditions of the depository relationship.

This act repeals provisions relating to procedures for third and fourth class cities selecting banking institutions to be depositories for the municipality.

#### ESTABLISHMENT AND OPERATION OF HOSPITALS (Sections 205.160 and 205.190)

This act modifies the authority for county commissions and certain boards of trustees to establish and operate hospitals, as described in the act.

#### INVESTMENT AUTHORITY OF HOSPITAL BOARDS OF TRUSTEES (Section 205.165)

This act modifies investment authority of boards of trustees of county hospitals.

#### CANCER TREATMENT UNDER MO HEALTHNET (Section 208.151)

Under this act, people who receive breast or cervical cancer screenings within the scope of Title XV of the Public Health Services Act and who otherwise meet eligibility requirements is eligible for medical assistance regardless of whether the screening is by a provider that receives funds under that title.

#### MOTOR VEHICLE FINANCIAL RESPONSIBILITY (Sections 303.425, 303.430, and 303.440)

This act repeals the requirement that certain notices provided under the motor vehicle financial responsibility enforcement and compliance incentive program (the "Program") specify that the minimum penalty for a violation includes 4 license demerit points. (Section 303.425.7).

The act also limits, to 5 years after implementation, the Department of Revenue's obligation to provide the legislature with annual reports regarding the Program. (Section 303.425.13).

The act specifies that the advisory committee for the Department's motor vehicle financial responsibility verification system shall serve in an advisory capacity as the Department may request, and shall expire 1 year after implementation of the Program. (Section 303.430.2(4)). The act provides that the Department's motor vehicle financial responsibility verification system shall be implemented no later than December 31, 2027, or as soon as technologically possible following development and maintenance of the Department's electronic titling and registration system, rather than January 1, 2025. (Section 303.440).

#### MONEY TRANSMISSION MODERNIZATION ACT OF 2024 (Chapter 361)

This act repeals the Sale of Checks Law and creates in its stead the "Money Transmission Modernization Act of 2024". The act regulates money transmission, defined as any of the following:

- Selling or issuing payment instruments to a person located in Missouri;
- Selling or issuing stored value to a person located in Missouri;
- Receiving money for transmission from a person located in Missouri; or
- Payroll processing services.

Money transmission does not include the provision solely of online or telecommunications services or network access.

The Director of the Division of Finance within the Department of Commerce and Insurance is responsible for administering this act.

#### LICENSURE OF MONEY TRANSMITTERS

The act prohibits any person from engaging in the business of money transmission or advertising, soliciting, or holding itself out as providing money transmission unless the person has been licensed pursuant to this act. Licenses last for no more than one calendar year and are not transferable or assignable. Applications must be on forms required by the Director and shall be accompanied by an application fee, as determined by the Director.

Additionally, certain individuals in control of a licensee, seeking to control a licensee, and any key individual, as that term is defined in the act, are required to furnish background materials to the Director, including fingerprints, criminal background checks, and employment history, among other things listed in the act.



The Director is permitted to implement the licensure process in such a way as to make it consistent with other states and nationwide protocols, to the extent consistent with this act. The Director is additionally permitted to collaborate with the Nationwide Multistate Licensing System and Registry developed by the Conference of State Bank Supervisors (NMLS) as provided in the act.

#### CONFIDENTIALITY OF INFORMATION

The act provides that all information provided to the Director is considered confidential except basic identifying information of the licensee as detailed in the act. Exceptions are included with respect to disclosures to certain government agencies.

#### ACQUISITION OF CONTROL

Any person, or group of persons acting in concert, seeking to acquire control of a licensee shall obtain the written approval of the Director prior to acquiring control. An application must be submitted in a form prescribed by the Director along with a fee, as determined by the Director.

#### REPORTING AND RECORDS

Each licensee is required to submit to the Director the following reports:

- A report of condition each calendar quarter;
- An audited financial statement prepared by an independent certified public accountant at the end of the fiscal year; and
- A report of authorized delegates at the end of each calendar quarter.

A licensee shall file a report with the Director within one business day if the licensee has reason to know of:

- The filing of a petition by or against the licensee under the federal United States Bankruptcy Code;
- The filing of a petition by or against the licensee for receivership, the commencement of any other judicial or administrative proceeding for its dissolution or reorganization, or the making of a general assignment for the benefit of its creditors; or
- The commencement of a proceeding to revoke or suspend its license in a state or country in which the licensee engages in business or is licensed.

A licensee shall file a report with the Director within three business days if the licensee has reason to know of:

- A conviction of the licensee or of a key individual or person in control of the licensee for a felony; or
- A conviction of an authorized delegate for a felony.

A licensee shall maintain the following records, for determining its compliance with this act for at least three years:

- A record of each outstanding money transmission obligation sold;
- A general ledger posted at least monthly containing all asset, liability, capital, income, and expense accounts;
- Bank statements and bank reconciliation records;
- Records of outstanding money transmission obligations;
- Records of each outstanding money transmission obligation paid within the three-year period;

- A list of the last known names and addresses of all of the licensee's authorized delegates; and
- Any other records the director reasonably requires by rule.

#### PRUDENTIAL STANDARDS

Licensees are required to maintain at all times a tangible net worth more than \$100,000, or 3% of total assets for the first \$100,000,000, 2% of additional assets between \$100,000,000 and \$1 billion, and 0.5% of additional assets over \$1 billion. Additionally, licensees shall maintain security consisting of a surety bond in an amount based on the licensee's average daily money transmission liability and tangible net worth.

The act establishes requirements for permissible investments of a licensee.

#### ADMINISTRATIVE, CRIMINAL, AND CIVIL ENFORCEMENT MECHANISMS

The act allows the Director to suspend or revoke licenses and designations of authorized delegates under circumstances and using procedures as described in the act. The Director is also permitted to issue cease and desist orders and enter into consent decrees for the resolution of matters arising under this act.

The act creates the following criminal penalties associated with money transmission:

- A person that intentionally makes a false statement, misrepresentation, or false certification in a record filed or required to be maintained pursuant to this act or that intentionally makes a false entry or omits a material entry in such a record is guilty of a class E felony;
- A person that knowingly engages in an activity for which a license is required pursuant to this act without being licensed and who receives more than \$500 in compensation within a 30-day period from this activity is guilty of a class E felony;
- A person that knowingly engages in an activity for which a license is required pursuant to this act without being licensed and who receives no more than \$500 in compensation within a 30-day period from this activity is guilty of a Class A misdemeanor.

The Director is also permitted to assess civil penalties not to exceed \$1,000 per day for each violation of this act.

#### PRIVATE TRUST COMPANIES (Section 362.245)

The act exempts certain private trust companies from certain residency requirements governing board of directors of a corporation as described in the act.

#### MISSOURI FAMILY TRUST COMPANY ACT (Sections 362.1010 to 362.1117)

Currently, a family trust company is not permitted to conduct business in Missouri without first registering with the Secretary of State. This act provides that a family trust company shall instead file, with the Director of the Division of Finance, the initial registration and original filing fee along with the relevant proposed business filings and fees required by the Secretary. The family trust company shall not conduct business until it has received an order approving the application from the Director, who shall file with the Secretary the order, the proposed business filings, and required filing fees. Any family trust company that was in good standing with the Secretary as of August 28, 2024, shall be deemed to have complied with the requirements of this act.

Furthermore, the Director shall enforce the provisions of this act and carry out the duties and functions originally assigned to the Secretary.

#### INSURANCE DOCUMENTS (Sections 374.190 and 374.192)

This act specifies that certain confidentiality provisions shall also apply to records used in market conduct investigations and actions.

The act further provides that regulated entities shall have at least 30 calendar days to submit any record or material requested by the Department of Commerce and Insurance, except for the Division of Consumer Affairs or with regard to the policy form approval process. Records maintained beyond the required retention period shall not be required to be produced unless the Director has substantial and competent evidence the regulated entity committed a level 4 or 5 violation of the insurance laws of this state or a felony related to the business of insurance. A regulated entity may establish its own internal practices that are the same as or exceed the requirements provided by law, and the Department shall not impose a penalty for failing to comply with the practices unless the failure also violates a law or rule.

#### CONTINUING EDUCATION FOR FUNERAL AND BURIAL INSURANCE PRODUCERS (Section 375.020)

This act increases, from \$15,000 to \$20,000, the maximum face value of life insurance policies that may be sold by certain insurance producers exempt from continuing education requirements.

#### DISPOSITION OF CERTAIN REINSURANCE CONTRACTS (Section 375.1183)

This act enacts provisions relating to the disposition of reinsurance contracts reinsuring policies of life or health insurance or annuities issued by insurers that have been placed into conservation, rehabilitation, or liquidation as provided in the Insurers Supervision, Rehabilitation and Liquidation Act.

Reinsurance contracts held by the insurers placed in conservation or rehabilitation proceedings or liquidation shall be continued or terminated as provided in the contract and as specified in the act. Reinsurance contracts terminated pursuant to an order of liquidation shall be subject to mandatory negotiation and arbitration procedures specified in the act. (Section 375.1183.1-2). A guaranty association may elect to assume the liquidated insurer's rights and obligations under reinsurance contracts within 180 days of the order of liquidation as specified in the act. To facilitate this decision, the receiver and each affected reinsurer shall make available copies of reinsurance contracts and related files and records, as well as notices of any defaults under the contracts or any known event or condition which could become a default. (Section 375.1183.3(1)-(2)).

The act further specifies rights and duties of the guaranty association and reinsurers under the reinsurance contracts assumed by the guaranty association, including with regard to premium payments, payment of claims, resolution of disputes over amounts due, and termination or continuation of the contracts. (Section 375.1183.3(3)).

If a receiver continues policies of life or health insurance or annuities issued by an insolvent insurer, and the policies are not covered in whole or in part by a guaranty association, the receiver may elect to assume the liquidated insurer's rights and obligations under reinsurance contracts relating to the policies or annuities within 180 days of the order of liquidation as specified in the act, provided the contracts have not been terminated. In this event, premiums for the applicable reinsurance shall be chargeable against the estate of the insolvent insurer. (Section 375.1183.4).

Between the order of liquidation and the time a guaranty association elects to assume the insolvent insurer's rights and obligations under a reinsurance contract as specified in the act, a guaranty association, receiver, or reinsurer shall not have any right or obligation under any reinsurance contract eligible for assumption under the act. (Section 375.1183.5).

If the guaranty association or receiver does not timely elect to assume a reinsurance contract as provided in the act, the reinsurance contract shall be terminated retroactively, effective as of the date of the order of liquidation, and shall be subject to mandatory negotiation and arbitration procedures specified in the act. (Section 375.1183.6).

When policies or annuities, or the obligations of the guaranty association under the policies or annuities, are transferred to an assuming insurer, associated reinsurance may be transferred to the assuming insurer as well, subject to certain limitations specified in the act. (Section 375.1183.7). This act shall supercede provisions of law or any affected reinsurance contract with regard to payment of reinsurance proceeds for losses or events occurring after an order of liquidation. (Section 375.1183.8).

When a reinsurance contract is terminated pursuant to the Insurers Supervision, Rehabilitation and Liquidation Act, the reinsurer and the receiver shall commence mandatory negotiation and arbitration procedures laid out in the act. (Section 375.1183.9).

This act shall be construed consistent with the existing power of the Missouri Life and Health Insurance Guaranty Association to assume the rights of insolvent insurers under reinsurance contracts. (Section 375.1183.11).

#### ASSIGNMENT OF INSURANCE BENEFITS (Section 376.427)

This act subjects certain payments to health care providers to the prompt pay statute, and provides that entities not currently subject to the prompt pay statute shall "have a delayed effective date of January 1, 2026 to be subject to such provisions".

#### METHODS OF REIMBURSEMENT TO HEALTH CARE PROVIDERS (Section 376.1345)

Currently, if a health carrier initiates or changes the method used to reimburse a health care provider to a method that requires the provider to pay a fee or remit some other form of remuneration, the carrier must notify the provider of the cost, provide clear instructions as to how to select an alternative payment method, and use that alternative method if requested by the provider. This act requires the health carrier or entity acting on its behalf to first receive approval from the health care provider before reimbursing the health care provider with such payment method. If a health carrier is currently reimbursing a health care provider with a payment

method, the health care provider can send one notice to the health carrier for all the health care provider's patients covered by such health carrier stating that the health care provider declines to be reimbursed with a payment method. The notice will remain in effect for the duration of the contract unless the health care provider requests otherwise. All payments made by the health carrier to the health care provider after receipt of the notice declining to be reimbursed with a payment method cannot require the health care provider to pay a fee, discount the amount of the provider's claim for reimbursement, or remit any other form of remuneration in order to redeem the amount of the provider's claim for reimbursement.

#### SELF-SERVICE STORAGE INSURANCE (Section 379.1640)

This act increases, from \$5,000 to \$15,000, the maximum insurance coverage that may be offered by limited lines self-service storage insurance producers and their associates.

#### MUTUAL INSURANCE COMPANIES (Sections 380.621 and 380.631)

This act enacts the "Protecting Missouri's Mutual Insurance Companies Act".

Under the act, chapter 380 shall be the sole authority of the Department of Commerce and Insurance over Missouri mutual insurance companies, and the provisions of that chapter shall not be waived, provided that certain provisions pertaining to premium taxation and insurance holding companies shall still apply as described in the act. The act voids agreements between the Department and mutual insurers as to additional Department authority, but benefits, allowances, and concessions granted to the insurers shall remain in effect for the duration of the agreements.

The act further enacts provisions relating to reinsurance requirements and corresponding filings with the Department, Department review of proposed mergers between mutual insurance companies, and examinations of mutual insurance companies by the Department.

Lastly, the act describes when a mutual insurance company is considered "insolvent", and specifies that mutual insurance companies shall be subject to the Insurers Supervision, Rehabilitation, and Liquidation Act with the exception of certain provisions, and shall be subject to other provisions pertaining to the commencement of court proceedings by the Director of the Department of Commerce and Insurance.

#### REAL ESTATE LOANS - AGRICULTURE ACTIVITY (Section 408.035)

Current law prohibits parties from agreeing in writing to any rate of interest, fees, and other terms and conditions in connection with any loan of less than \$5,000 secured by real estate used for agricultural activity. This act repeals that prohibition.

#### CHARGES FOR COST OF CREDIT REPORTS (Section 408.140)

The act permits lenders making loans pursuant to the Missouri Consumer Loan Act to charge consumers for the cost of a credit report.

#### COMMERCIAL FINANCING DISCLOSURE LAW (Section 427.300)

This act creates the "Commercial Financing Disclosure Law". Under this act, any person who consummates more than 5 commercial financing transactions, as defined in the act, to a business

located in this state in a calendar year is required to make certain disclosures to the business with regard to the transaction. Specifically, the provider is required to disclose the following:

- The total amount of funds provided to the business under the terms of the commercial financing transaction;
- The total amount of funds disbursed to the business under the terms of the commercial financing transaction, if less than the total amount of funds provided, as a result of any fees deducted or withheld at disbursement and any amount paid to a third party on behalf of the business;
- The total amount to be paid to the provider pursuant to the commercial financing transaction agreement;
- The total dollar cost of the commercial financing transaction under the terms of the agreement, derived by subtracting the total amount of funds provided from the total of payments;
- The manner, frequency and amount of each payment; and
- A statement of whether there are any costs or discounts associated with prepayment of the commercial financing transaction including a reference to the paragraph in the agreement that creates the contractual rights of the parties related to prepayment.

The act requires registration with the Division of Finance prior to engaging in business as a broker for commercial financing. Specifically, the act requires filing a registration form, submitting a fee of \$100, and obtaining a surety bond in the amount of \$10,000. A registration renewal is required every year, not later than January 31st.

Violations of these provisions are punishable by a fine of \$500 per incident, not to exceed \$20,000 for all aggregated violations. Any person who violates any provision of this act after receiving written notice of a prior violation from the Attorney General shall be punishable by a fine of \$1,000 per incident, not to exceed \$50,000 for all aggregated violations arising from the use of the transaction documentation or materials found to be in violation of this act.

Violation of any provision of these provisions does not affect the enforceability or validity of the underlying agreement.

This act does not create a private cause of action against any person or entity based upon noncompliance with this act.

The Attorney General is given exclusive authority to enforce these provisions.

These provisions contains various exemptions.

The registration and disclosure requirements of these provisions take effect either (1) 6 months after the Division of Finance finalizes promulgating rules, if the Division intends to promulgate rules; or (2) February 28, 2025, if the Division does not intend to promulgate rules.

#### REAL ESTATE TRANSACTIONS - WOMAN'S STATUS AS WIFE (Section 442.210)

A provision of law is repealed requiring description of a woman's status as "wife" when executing a certificate of acknowledgment form in the course of a real estate transaction with her husband.

### QUALIFIED SPOUSAL TRUSTS (Section 456.950)

This act modifies the definition of "qualified spousal trust" to include the provision of terms that provide during the life of a sole surviving settlor, in addition to terms of which provide for the joint lives of settlors.

This act additionally provides that all property, except for written financial obligations, written guarantees, or secure or unsecured transactions, held in a qualified spousal trust shall continue to be immune and exempt from attachment during the life of the surviving settlor to the extent that the property was held in a qualified spousal trust prior to the death of the first settlor and remains in a qualified spousal trust. Furthermore, property may be held in or transferred to a settlor's joint or separate share of a trust by designation under the current trust terms, pursuant to the specified titling of property or other designation that refers to such joint or separate share, or designation to the trustee as the owner as provided in current law.

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 Economic Development

Department of Elementary and Secondary Education

Department of Higher Education and Workforce Development

Department of Health and Senior Services

Department of Mental Health

Department of Natural Resources

Department of Corrections

Department of Labor and Industrial Relations

Department of Revenue

Department of Public Safety

Office of the Director

Division of Alcohol and Tobacco Control

Capitol Police

Fire Safety

Missouri Gaming Commission

Missouri Highway Patrol

Missouri National Guard

State Emergency Management Agency

Missouri Veterans Commission

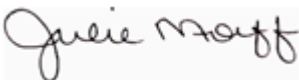
Department of Social Services

Office of the Governor

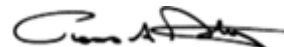
Joint Committee on Public Employee Retirement

Joint Committee on Administrative Rules

Missouri Lottery Commission  
Legislative Research  
Oversight Division  
Local Government Employees Retirement System  
Missouri Consolidated Health Care Plan  
Missouri Department of Agriculture  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri House of Representatives  
Missouri Department of Transportation  
Missouri State Employee's Retirement System  
MoDOT & Patrol Employees' Retirement System  
Missouri Office of Prosecution Services  
Office of Administration  
    Administrative Hearing Commission  
    Budget and Planning  
Office of the State Courts Administrator  
Office of the State Auditor  
Missouri Senate  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
Public Schools and Education Employee Retirement Systems  
State Tax Commission  
County Employees Retirement Fund  
Kansas City Civilian Police Employees' Retirement  
Kansas City Police Retirement System  
Kansas City Public School Retirement System  
Public Education Employees Retirement System  
Sheriff's Retirement System  
Newton County Health Department



Julie Morff  
Director  
June 7, 2024



Ross Strobe  
Assistant Director  
June 7, 2024