

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5657H.01I  
Bill No.: HB 2780  
Subject: Commercial Code  
Type: Original  
Date: March 4, 2024

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Bill Summary: This proposal modifies provisions that relate to commercial transactions.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<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</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 34.700 - 432.275 – Digital Currency

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 these issues are speculative, therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Commerce and Insurance**, 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 Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, State Emergency Management Agency)**, the **Missouri National Guard**, the **Department of Social Services**, the **Office of the Governor**, the **Joint Committee on Public Employee Retirement**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Missouri Ethics Commission**, the **Missouri House of Representatives**, the **Department of Transportation**, the **Office of Prosecution Services**, the **Office of Administration (Administrative Hearing Commission)**, the **Office of the State Courts**

**Administrator**, the **Office of the State Auditor**, the **Missouri Senate**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, the **Oversight Division**, the **Legislative Research**, **State Tax Commission** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

**Oversight** notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **Department of Corrections** defer to the Office of Administration for the potential fiscal impact of this proposal.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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  
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 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  
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

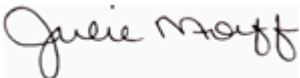
L.R. No. 5657H.011

Bill No. HB 2780

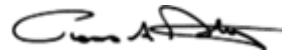
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Missouri House of Representatives  
Missouri Department of Transportation  
Missouri State Employee's Retirement System  
MoDOT & Patrol Employees' Retirement System  
Missouri Office of Prosecution Services  
Office of Administration  
    Administrative Hearing Commission  
    Budget and Planning  
Facilities Management, Design and Construction  
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  
State Tax Commission



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