

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5507H.03I
Bill No.: HCR 60
Subject: Banks and Financial Institutions; State Retirement; State Employees
Type: Original
Date: April 9, 2024

Bill Summary: This proposal urges state retirement funds to investigate expanding to bitcoin and other digital currencies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 or (Unknown)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0	\$0

*Oversight assumes this cost would not reach the \$250,000 threshold.

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

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
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight has requested additional information related to this proposal but was unable to receive some of the agency responses in a timely manner. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the proposal has no direct fiscal impact to the JCPER. The JCPER's review of the proposal indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from **Missouri State Employee's Retirement System (MOSERS)** state this resolution, if enacted, encourages "the state retirement agency" to consider the implications of including a digital-asset ETF in their investment portfolios. The state retirement agency would be required to:

- Work with the Treasurer's office to evaluate potential risks and benefits of investing in Bitcoin and digital-asset ETFs;
- Consult firms with SEC approval to offer digital-asset ETFs; and
- Provide a "comprehensive report on the feasibility, risks, and benefits" of investing in digital-asset exchange-traded funds by September 30, 2024.

At this time, MOSERS has not undertaken any analysis into the potential risks and benefits of investing in Bitcoin and digital-asset ETFs or consulted with firms with SEC approval to offer digital-asset ETFs.

MOSERS assumes the "the state retirement agency" in this resolution refers to the Joint Committee on Public Employee Retirement. Therefore, MOSERS estimates that this resolution will have no fiscal impact on the system.

If that assumption is incorrect, MOSERS does not anticipate any fiscal impact based upon the assumption the State Treasurer does not direct MOSERS to use or acquire any new specific services that the system is not already contracted with.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** state, if passed, HCR 60 would require the Joint Committee on Public Employee Retirement (JCPER) to work with the Treasurer's office to evaluate the potential risks and benefits of investing in Bitcoin and provide a comprehensive report on the feasibility, risks, and potential benefits of directing a portion of statutory retirement funds into digital-asset ETFs.

While the legislation does not specifically name JCPER, it directs the “state retirement agency” to perform such work as stated above. JCPER seemed to be a logical conclusion because there is no single state retirement agency, and directing all individual public retirement plans to perform such research and work would seem inefficient.

There would be no fiscal impact unless MPERS (as well as all other Missouri public pension plans) performed the research and reporting, in which case MPERS would be required to hire a specialty consultant to perform such work. In the event a consultant must be hired, the cost is unknown at this time.

Officials from the **Office of the State Treasurer (STO)** state they will need 1 FTE. The costs noted are based on the current pay level for that position and recent purchases of IT and office equipment. The square footage costs are from the latest budget numbers provided by FMDC.

Upon further inquiry, the **STO** stated they would need someone who is an expert on bitcoin or has the capacity to learn. They would be responsible for “...[evaluating] the potential risks and benefits of investing in Bitcoin and digital-asset ETFs.” As the STO does not currently allow these types of investments in the State’s portfolio, the STO does not have this expertise. Furthermore, the FTE would need to be involved, in some capacity, with drafting the comprehensive report.

For purposes of this fiscal note, **Oversight** will adopt MOSERS’ and MPERS’ assumption that the JCPER is the ‘state retirement agency’ noted in this proposal and will perform the requirements of this proposal. Oversight assumes the JCPER will work with the STO to prepare a comprehensive report on directing state retirement funds into digital-asset ETFs by October of 2024 (3 months before the 2025 legislative session).

Oversight assumes there could be potential costs for the STO and/or the JCPER to hire temporary staff or a consultant to perform the requirements of the proposal. Therefore, Oversight will show an unknown cost in FY 2025 but assumes there would be no on-going. Oversight assumes this cost would not reach the \$250,000 threshold.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs</u> – JCPER/STO to hire a temporary expert or consultant	\$0 or (Unknown)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Unknown)	\$0	\$0

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

FISCAL IMPACT – Small Business

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

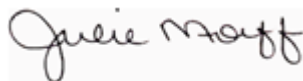
FISCAL DESCRIPTION

The proposed legislation relates to state retirement investment in Bitcoin.

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

Joint Committee on Public Employee Retirement
 Missouri State Employee's Retirement System
 MoDOT & Patrol Employees' Retirement System
 Office of the State Treasurer



Julie Morff
 Director
 April 9, 2024



Ross Strope
 Assistant Director
 April 9, 2024