

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1833H.01I
Bill No.: HB 1217
Subject: State Treasurer; Banks and Financial Institutions; Science and Technology
Type: Original
Date: March 21, 2025

Bill Summary: This proposal creates the "Bitcoin Strategic Reserve Fund" and allows the State Treasurer to receive, invest, and hold bitcoin under certain circumstances.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	More than (\$214,000)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	More than (\$214,000)	(Unknown)	(Unknown)

*Oversight notes that costs to implement the proposal include contracts with a third-party vendor, updating current systems to accept payments in cryptocurrency, additional administrative work and possible increase in staff. Oversight assumes the cost will exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Treasurer Operating Fund (0164)**	(\$194,000)	(\$203,042)	(\$206,471)
Alcohol and Tobacco Control Fund (0544)**	More than (\$100,000)	(Unknown)	(Unknown)
Bitcoin Strategic Reserve Fund*	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	More or Less than (\$294,000)	More or Less than (\$203,042)	More or Less than (\$206,471)

*STO may accept gifts, grants, donations, bequests, or devises of Bitcoin from eligible Missouri residents or a governmental entity. In addition, the fund will collect payments and interest from cryptocurrency.

**STO requires 2 FTE to implement provisions of the proposal.

***ATC requires Licensing and Excise Tax System Development and NCR-JetPay Updates
Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Treasurer Operating Fund (0164)	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2026	FY 2027	FY 2028
Local Government*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Oversight notes there are potential costs to contract with a third-party vendor, update current systems, additional administrative work and possible increase in staff in order to implement the provisions of the proposal.

FISCAL ANALYSIS

ASSUMPTION

§30.1025 - Cryptocurrency

Officials from the **Department of Revenue (DOR)** state the following:

Section 30.1030 Cryptocurrency Payments

This provision would allow cryptocurrency payments to be accepted as legal tender in Missouri and to be used for the payment of any debt, tax, fee or expense owed to a government entity. This proposal does not specify that the cryptocurrency be minted or controlled by the U.S. Mint or that the cryptocurrency be considered legal tender. Therefore, this proposal would allow people to create their own cryptocurrency.

The State and DOR already accept all coins minted by the U.S. Mint as they are considered legal tender. This includes the commemorative coins printed but not widely used in financial transactions. Additionally, DOR allows for the use of credit and debit cards that are based on 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 currency that is in violation of 18 U.S. § 486. Acceptance of any currency form not considered legal tender per this federal statute can result in felony charges being brought by the Federal Government.

Missouri would be the first state to accept cryptocurrency that are not legal tender. While other states have passed laws providing their state with language allowing rolling compliance with acceptance of different currency types should the federal government make these types of legal tender, none have allowed the paying of a currency that is not legal tender. Therefore, DOR is unable to obtain information as to the number of people wishing to use alternative currency or the costs of providing these alternatives.

This proposal additionally says that a person using cryptocurrency to make a payment could be subject to any additional fee or assessment for using that method of payment. DOR notes that currently they assess a processing fee on all e-check payments as well as all debit and credit card payments. That is because those payments are processed for the Department by a third-party vendor who assesses those fees. They assume this proposal would allow DOR to make the payor pay the fee rather than the department. DOR assumes additional costs for a contract that would allow acceptance of alternative currencies at a cost of \$100,000 annually.

DOR will need to update 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).

The other sections of this bill will not impact DOR.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DOR in the fiscal note.

Officials from the **Office of Administration - Budget and Planning** assume section 30.1025 would create a new fund within the state treasury. The treasurer may accept donations, grants, gifts, etc. of cryptocurrency, depositing such funds into the new "Bitcoin Strategic Reserve Fund". Cryptocurrency must be held for five years before it can be transferred, sold, appropriated, or converted.

To the extent that new donations to the state are received in cryptocurrency, this provision may increase TSR. This proposal will not impact the calculation under Article X, Section 18(e)

Section 30.1030 requires all governmental entities within Missouri to accept cryptocurrency. B&P defers to impacted state and local jurisdictions for the potential administrative impacts of this provision.

Officials from the **Department of Mental Health** assume this proposal adds sections 30.1025, 30.1027, and 30.1030 creating the bitcoin strategic reserve fund and allows donations and gifts of bitcoin to the fund. Sections provide for management of the fund and handling of leftover monies in the fund. 30.1027 Authorizes the treasurer to purchase cryptocurrency with state funds. 30.1030 requires governmental entities to accept cryptocurrency as payment of expenses owed to the government entity. The entity may require the payor to pay the service fees associated with this transaction.

While it is impossible to determine when and how often the DMH would receive payment in this form, accepting payment in the form of cryptocurrency would create substantial burden on DMH due to calculating value, the infrastructure needed to perform the transaction, and cost of depositing or selling. Fiscal impact from this additional administrative work is unknown.

Officials from the **Department of Corrections (DOC)** assume the proposal creates the "Bitcoin Strategic Reserve Fund" and allows the State Treasurer to receive, invest and hold Bitcoin under certain circumstances.

The proposed legislation would require DOC to accept Bitcoin for the collection of offender intervention fees. The state would most likely need to contract with a third-party vendor. The

cost of using that vendor is unknown at this time. Therefore, the department assumes an unknown cost impact.

Officials from the **Department of Public Safety- Division of Alcohol and Tobacco Control (ATC)** state the ATC collects liquor license fees as well as excise tax fees for all alcohol distributed in the state. ATC is in the process of developing an on-line licensing system that also incorporates the on-line reporting of excise tax. The division would have to request an enhancement from the vendor to add cryptocurrency as a form of payment as well as update the financial reports to include cryptocurrency transactions. They estimate this will cost \$100,000.

New section 30.1030 requires all governmental entities to accept cryptocurrency for payment of any tax, fee, cost, charge, assessment, fine, or other payment of expense owed to the governmental entity. The division collects liquor license fees and excise taxes on all alcohol distributed in the state. ATC would have to work with our vendor to make enhancements to our on-line system to add cryptocurrency as a form of payment as well as update the financial reports to include cryptocurrency transactions, which is estimated to cost \$100,000. Additionally, they use NCR-JetPay to process electronic payments. There will likely be a cost associated with NCR-JetPay to have their system accept cryptocurrency. This is a statewide contracted vendor, so they aren't certain what the cost would be for their system to be changed. If a new, alternative system was created in lieu of modifying NCR-JetPay, additional costs may be incurred to build an interface.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by ATC in the fiscal.

Officials from the **Office of the State Treasurer (STO)** assume they have nothing in place for bitcoin databases. STO will require one Bitcoin Specialist (\$60,000) and one IT position (\$60,000). Their PS is based on similar positions, EE is based on prior purchases, FMDC rates on cubicles. They cannot absorb costs.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by STO in the fiscal note.

Oversight notes that §30.1025.2(3) states any interest and moneys earned on such investments shall be credited to the fund. In addition, §30.1025.2(4) states that the STO may accept gifts, grants, donations, bequests, or devises of Bitcoin from eligible Missouri residents or a governmental entity. Therefore, Oversight will reflect a \$0 or unknown revenue to the Bitcoin Strategic Reserve Fund for these provisions of the proposal in the fiscal note.

Oversight notes §30.1030 states "All governmental entities shall accept cryptocurrency, as approved by the department of revenue, for the payment of any tax, fee, cost, charge, assessment, fine, or other payment of expense owed to the governmental entity. The governmental entity may require the payer to pay any service fees associated with the cryptocurrency transaction." Oversight assumes there could be potential costs to contract with a third party vendor, update

current systems, additional administrative work and possible increase in staff in order to implement the provisions of the proposal. Therefore, Oversight will reflect a potential cost to various state agencies and local political subdivisions that accept payments used as currency. For simplicity, Oversight will only reflect this potential cost to the state in the General Revenue Fund.

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** assume the proposal as currently drafted has no substantial fiscal or operational impact on PSRS or PEERS of Missouri.

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Commerce and Insurance, Department of Economic Development, Department of Elementary and Secondary Education, Department of Higher Education and Workforce Development, Department of Labor and Industrial Relations, Department of Public Safety (Capitol Police, Fire Safety, Director's Office, Missouri Gaming Commission, Missouri Veterans Commission, and State Emergency Management Agency), Office of the Governor, Missouri Department of Agriculture, Missouri Ethics Commission, Missouri Department of Transportation, Missouri National Guard, MoDOT & Patrol Employees' Retirement System, Office of Administration, Office of the State Public Defender, University of Missouri, Office of the State Auditor, Missouri House of Representatives, Joint Committee on Education, Joint Committee on Public Employee Retirement, Legislative Research, Oversight Division, Missouri Senate, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, Missouri State Employee's Retirement System, and State Tax Commission** 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.

Officials from the **Department of Health and Senior Services** and **Missouri Highway Patrol** both defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** and **Office of the State Treasurer** both defer to the **Office of the State Treasurer** for the potential fiscal impact of this proposal.

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

Officials from the **Missouri Office of Prosecution Services** and **Office of the State Courts Administrator** did not respond to **Oversight's** request for fiscal impact for this proposal.

Officials from the **City of Kansas City** assume the proposed legislation has a potential negative fiscal impact because of the value of bitcoin is always subject to fluctuation and is not FDIC insured, creating substantial risk if the City accepts bitcoin as payment.

Officials from the **Clay County Auditor's Office** assume the proposal will require unknown software or vendor costs to be able to convert cryptocurrency to US dollars. Could potentially charge those fees to the payer, however.

Officials from the **Kansas City Civilian Police Employees' Retirement/Kansas City Police Retirement System** assume the following:

Section 30.1030's requirement for all governmental entities to accept cryptocurrency presents operational and financial challenges, particularly for smaller public pension systems and agencies with limited technological capacity. Unlike larger entities with dedicated IT resources, these organizations may struggle to implement and manage cryptocurrency payment systems effectively. The transition would require investment in new technology, cybersecurity measures, and specialized staff training—currently undefined costs that could strain already limited budgets.

Beyond implementation costs, cryptocurrency transactions introduce financial risks, including price volatility that could affect the value of payments received. Fluctuations in market value between payment receipt and fund conversion could create unintended revenue shortfalls or surpluses. Additionally, the regulatory framework for cryptocurrency is still evolving at both state and federal levels, potentially leading to compliance challenges and ongoing administrative adjustments.

While HB 1217 seeks to modernize payment methods, the requirement for all governmental entities to accept cryptocurrency presents challenges, particularly for smaller pension funds and agencies that lack the resources to implement and manage such systems effectively. The financial and operational costs associated with adopting cryptocurrency payments are not yet well-defined, and the risks related to market volatility, cybersecurity, and regulatory compliance remain significant concerns. Further assessment is necessary to determine whether smaller entities should be exempt or granted additional support to meet this mandate.

Officials from the **Metro St. Louis Sewer District Employees Pension Plan** assume it is difficult to estimate the fiscal impact of this legislation. What is the definition of "governmental entities" in 30.1030? As a political subdivision, MSD is prohibited from investing public funds in equity securities and corporate debt, both of which are less volatile as a market than Bitcoin. Besides the costs of creating and maintaining accounts/systems to collect cryptocurrency, the volatility of Bitcoin and other cryptocurrencies means that payments collected could lose value quickly. Conversion to US Dollars needed to pay operating expenses and for capital projects

comes with transaction costs, as well. If they are not allowed to invest public funds in a security, it should not be mandated that the security has to be accepted as payment for taxes, fees, services, etc.

Officials from the **County Employees' Retirement Fund** have reviewed HB 1217 (1833H.01I). Sections 30.1025 and 30.1027 have no fiscal impact to the County Employees' Retirement Fund.

Section 30.1030 may have an unknown fiscal impact to the County Employees' Retirement Fund. Section 30.1030 requires all governmental entities to accept cryptocurrency for the payment of any tax, fee, cost, charge, assessment, fine or other payment of expense owed. The County Employees' Retirement Fund, or its vendors, might need to upgrade existing infrastructure or technology to accommodate the required acceptance of approved cryptocurrency. Such a requirement may add potential costs to CERF or to its vendors, such as the investment custodian or the depository services bank. At this time, such impact is unknown.

Officials from the **Jackson County Election Board, Platte County Board of Elections, St. Louis County Board of Elections, Kansas City Public School Retirement System, Sheriff's Retirement System** 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – DOR §30.1030</u>			
New bank contract to accept alternative currencies	(\$100,000)	\$0	\$0
Computer updates	(\$114,000)	\$0	\$0
<u>Total Cost – DOR</u>	<u>(\$214,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Costs – Various State Agencies – administrative/vendor costs for potential payments to be made in forms of cryptocurrency other than current legal tender §30.1030</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	More than <u>(\$214,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
STATE TREASURER OFFICE OPERATING FUND (0164)			
<u>Costs – STO</u>			
Personal Service	(\$100,000)	(\$122,400)	(\$124,848)
Fringe Benefits	(\$66,400)	(\$80,642)	(\$81,623)
Equipment and Expense	(\$27,600)	\$0	\$0
<u>Total Costs – STO</u>	<u>(\$194,000)</u>	<u>(\$203,042)</u>	<u>(\$206,471)</u>
FTE change - STO	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON THE STATE TREASURER OFFICE OPERATING FUND	<u>(\$194,000)</u>	<u>(\$203,042)</u>	<u>(\$206,471)</u>
Estimated Net FTE Change on State Treasure Office Operating Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ALCOHOL AND TOBACCO CONTROL FUND (0544)			
<u>Costs</u> – ATC §30.1030			
Licensing and Excise Tax System Development	(\$100,000)	\$0	\$0
NCR-JetPay Updates	(Unknown)	(Unknown)	(Unknown)
<u>Total Costs</u> - ATC	More than <u>(\$100,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE ALCOHOL AND TOBACCO CONTROL FUND	More than <u>(\$100,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
BITCOIN STRATEGIC RESERVE FUND			
<u>Revenue</u> - payments to be made in forms of cryptocurrency other than current legal tender §30.1030	Unknown	Unknown	Unknown
<u>Revenue</u> - §30.1025.2(3) Interest/moneys earned on investments	Unknown	Unknown	Unknown
<u>Revenue</u> - §30.1025.2(4) Gifts, grants, donations, bequests, or devises of Bitcoin	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON BITCOIN STRATEGIC RESERVE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - payments to be made in forms of cryptocurrency other than current legal tender §30.1030	Unknown	Unknown	Unknown
<u>Costs</u> – administrative/vendor costs for potential payments to be made in forms of cryptocurrency other than current legal tender §30.1030	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Bitcoin Strategic Reserve Fund" and the State Treasurer is the custodian of the fund. The Treasurer may accept gifts, grants, donations, bequests, or devises of Bitcoin, as defined in the bill, from eligible Missouri residents or a governmental entity. The Treasurer is authorized to store the Bitcoin for five years after which it can be transferred, sold, appropriated, or converted to another cryptocurrency, as the term is defined in the bill.

Transactions involving foreign countries, entities or individuals outside the State of Missouri or those known to engage in illegal activities, are prohibited. In addition, the treasurer can contract with a third-party cryptocurrency entity to ensure the Fund's security.

The bill provides for the Treasurer to prepare a biennial report before December 31 of each even-numbered year and post it on the Treasurer's website. The Treasurer must notify the General Assembly when the report is published. The report must include the information that is detailed in the bill.

The bill authorizes the Treasurer to invest, purchase, and hold cryptocurrency using state funds. Further, the bill provides for all governmental entities to accept cryptocurrency approved by the Department of Revenue for payment of any tax, fee, cost, charge, assessment, fine, or other payment of expense owed to the governmental entity, and the payer can be required to pay service fees relating to the transaction.

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
Office of Administration - Administrative Hearing Commission
Office of Administration - Budget and Planning
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
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Office of the Director
 Missouri Gaming Commission
 Missouri Veterans Commission
 State Emergency Management Agency
Department of Social Services
Office of the Governor
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri Department of Transportation
Missouri National Guard
MoDOT & Patrol Employees' Retirement System
Office of Administration
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Office of the State Auditor
Missouri House of Representatives
Joint Committee on Administrative Rules
Joint Committee on Education
Joint Committee on Public Employee Retirement

L.R. No. 1833H.01I

Bill No. HB 1217

Page **13** of **13**

March 21, 2025

Legislative Research

Oversight Division

Missouri Senate

Missouri Lottery Commission

Missouri Consolidated Health Care Plan

Missouri State Employee's Retirement System

State Tax Commission

University of Missouri

County Employees Retirement Fund

Kansas City Civilian Police Employees' Retirement

Kansas City Police Retirement System

Kansas City Public School Retirement System

Metro St. Louis Sewer District Employees Pension Plan

Public Schools and Education Employee Retirement Systems

Sheriffs Retirement System



Julie Morff

Director

March 21, 2025



Jessica Harris

Assistant Director

March 21, 2025