

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2618H.011
 Bill No.: HB 1231
 Subject: Utilities; Telecommunications; Public Service Commission
 Type: Original
 Date: April 1, 2025

Bill Summary: This proposal creates new provisions related to infrastructure security.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Could Exceed (\$3,229,089)	Could Exceed (\$2,722,978)	Could Exceed (\$2,771,307)
Total Estimated Net Effect on General Revenue	Could Exceed (\$3,229,089)	Could Exceed (\$2,722,978)	Could Exceed (\$2,771,307)

*Oversight notes the Department of Public Safety - Office of the Director has stated the need for 23 FTE, ITSD Upgrades, and Office Space Lease to meet the requirements of the proposal.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Highways and Trans Department Fund (0644)	(Unknown)	(Unknown)	(Unknown)
Criminal Records System Fund (0671)	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown

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
General Revenue Fund (DPS-DO)	23 FTE	23 FTE	23 FTE
Total Estimated Net Effect on FTE	23 FTE	23 FTE	23 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)

FISCAL ANALYSIS

ASSUMPTION

Sections 1.1400 & 1.1410 - Infrastructure Security

Officials from the **Office of Administration – Office of Purchasing (OAP)** state that the proposed legislation will require OA Purchasing to develop internal processes and self-certification/attestation form/language/exhibits. At this time, it is believed that additional staff time and resources can be absorbed by OA-Purchasing. However, additional fiscal impact could result if OA-Purchasing's assumption is incorrect that compliance with this bill can be achieved with a self-certification/attestation form.

If there are multiple pieces of legislation passed where OA-Purchasing has responded that the costs can be absorbed, OA-Purchasing would need to reevaluate to see if additional staff and associated expenses would then be required.

The **OAP** states that it is possible that the restrictions on companies may cause certain vendors to be unable to be a contractor or do business with Missouri.

Note that OA-Purchasing can only address those contracts issued by it, and each state agency would have to do their own compliance checks or reviews for every one of its purchases and contracts covered by the law.

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

Oversight notes, according to **OAP** each state agency would have to do their own compliance checks or reviews for every one of its purchases and contracts covered by the law. Therefore, Oversight will reflect a zero to unknown cost to various state agencies in order to implement the provisions of the proposal.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** anticipate an unknown impact. Suppliers for law enforcement equipment and some of the specialized areas the Patrol is tasked with, such as communications equipment, are often available only from a limited number of vendors. An unknown impact is reflected for equipment replacement costs in the two main funds the Patrol is appropriated from for daily operations; Highway (0644) and General Revenue (0101).

In addition, the number of fingerprint or name only criminal record checks performed for this proposed legislation in Section 1.1400.7(2) is unknown.

Below are calculations for the name or fingerprint based criminal history check and how much is deposited into the Criminal Record System Fund (0671) for each check performed.

- State and Federal Fingerprint Criminal History Fee - \$22.00 to the Criminal Record System Fund (0671)
- State Name Criminal History Fee - \$15.00 to the Criminal Record System Fund (0671)

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

Officials from the **Department of Public Safety - Office of the Director (DO)** state that the DO will need additional space to house an additional 23 employees. Jefferson City leased space rate is \$18.00/square foot plus \$2.45/square foot for janitorial costs and \$2.48/square foot for utility expenses. OA-FMDC estimates a need of 200 square feet per FTE/employee. A secure location in either a leased location or within a state-owned facility in Jefferson City covering 4,600 square feet will be needed.

Oversight notes that based on information provided by DO the estimated leasing/office space cost would be \$1,265,736 annually (4600 sq. ft. * 22.93 * 12). However, Oversight has no way to determine what lease will be negotiated. Therefore, Oversight will reflect an unknown cost for spaced leased to house the additional 23 FTE for DPS-DO.

The **DO** further states for the requirements of §1.1400 the following are needed:

§1.1400 - 1 lead lawyer to program manage

§§1.1400.6 and 1.1400.7 - 2 lower FTE to manage to certify and collect info on the companies that will be required to prove information and review background checks

§1.1400.7 - 10 investigators to ensure compliance

§1.1400.8 - 4 lower level of lawyers to review investigations and file injunctions.

§1.1400.11 - 1 higher up IT and 3 lower-level IT to review and report cyber threats.

§1.1400.15 2 lower-level employees to maintain list of products/companies prohibited.

The DO state that there will be an ITSD impact.

Officials from **Office of Administration – Information Technology (OA-ITSD)** state this bill would have a huge impact on both ITSD and DPS, with the addition of a very large, and expansive application, and the necessity of FTE for both support and administration of the program. The system would be comprised by multiple databases, Geographic Information

System (GIS) development, numerous reports and dashboards, and numerous connections to outside data systems. This would need to be a vendor-developed system, as the scope of the time/resources needed for development would not work with current ITSD-DPS application development staffing levels. With that being said, it will take a minimum of approximately 6 months to award the development, through the RFP procurement process. It is estimated this to be an 18-to-24-month project after award. There will need to be substantial requirements gathering and analysis, due to lack of specific details around the scope of the development. Testing of this system would need to be of paramount importance, due to the sensitive nature of the provided information, the public facing nature of the development, and the impact to contracts and work being performed in the State of Missouri.

OA-ITSD state it is assumed that all new IT project/systems will be bid out because all ITSD resources are at full capacity. OA-ITSD states the project would take 10,432.80 hours at a contract rate of \$105 for a total cost of **\$1,097,178** with on-going support costs of **\$226,698** in FY 2027 and **\$232,365** in FY 2028.

The above figures are based upon the work being completed by ITSD, or internal development. It is expected that this system will need to be developed by vendors. It would be expected to increase the cost of the project by 3 to 5 times the current figures. The figures above also only reflect the efforts of the information technology side of discovery, analysis, development and testing; non-IT staffing Subject Matter Experts (SME) would need to be figured in, to see further impact. It is also noted that there is not an identified funding method, other than fees/fines imposed.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates provided by the OA-ITSD.

Officials from the **Office of Administration - Budget and Planning** state that the bill cites the definition of foreign adversary under 15 CFR 7.4, which currently includes China, Cuba, Iran, North Korea, Russia, and Venezuela. Section 1.1400.14 expressly precludes the state from entering or renewing contracts for cameras and other electronic devices used by law enforcement. Article IX, Section 7 of the Missouri Constitution requires that penalties, forfeitures, and fines collected for violations of state law be distributed to the schools. To the extent law enforcement is unable to purchase equipment that would be used for the enforcement of penalties, forfeitures, and fines, and total state revenue may decrease.

Oversight notes that violations of section 1.1410.8 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines vary widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

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 **City of Kansas City** assume the proposed legislation will have a potential negative fiscal impact on the City of Kansas City, Missouri Water Department because of the restrictions placed on identified entities related to water supply, refinement, storage, or delivery systems, the impact on KC Water may reflect the following:

- Potential access to our system by an agency or a partner of an agency considered a foreign adversary.
- Possible components purchased by suppliers previously part of the restricted entities
- Services rendered by entities with business relationship with restricted agencies

Ultimately, the cost of services as well as the price of purchased components will likely go up.

Officials from the **City of O'Fallon** assume this proposal would cost the City of O'Fallon well over \$200,000 per year.

Officials from the **Metropolitan St. Louis Sewer District - 7B Sewer (MSD)** state while MSD critical infrastructure systems, assets, and telecommunication networks are primarily USA based and manufactured, there would be unknown cost associated with monitoring for compliance, replacement of assets when additions are made to the list of banned equipment and corporations, and modification of purchasing policies to adhere to the bill that could result in higher prices if the banned equipment is the lowest price leader in the category.

Computer infrastructure systems and assets are sold by global corporations (cisco/oracle et al) which could have manufacturing and / or parts sourced from foreign lands/adversaries. To be effective the Bill would benefit from a provision that mandates vendors selling to government entities in Missouri to attest to compliance of the provisions of the bill.

Oversight assumes that this bill could result in increased costs for local governments. Oversight will show the impact to local governments as a \$0 to unknown cost.

Officials from **Morgan County PWS #2** state that as a small public utility water department, they have no concerns for infrastructure security.

Officials from **Osceola Water/Wastewater** assume that the proposed legislation would have a fiscal impact but did not provide any additional information.

Officials from the **Department of Commerce and Insurance, Department of Public Safety - Capitol Police, the Department of Public Safety - State Emergency Management Agency, the Office of the Governor, the Missouri Department of Conservation, the Missouri Department of Transportation, the Office of the Secretary of State, and the Joint Committee on Administrative Rules** 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.

Upon further inquiry, **Department of Commerce and Insurance – Public Service Commission** stated they could take on these tasks with existing resources.

Officials from the **Phelps County Sherriff, the City of Osceola, the South River Drainage District – 7D Levee, and the Wayne County** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local agencies 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 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Revenue</u> – §1.1410 Consumer Provider Registration Fee p. 4	Unknown	Unknown	Unknown
<u>Costs</u> – Various State Agencies-§ 1.1400 & 1.1410 – Compliance Checks and Reviews p. 3	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – DPS-MHP- §§ 1.1400 & 1.1410 - Equipment Replacement Costs p. 3 – 4	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – DPS-DO §1.1400			
Personal Service	(\$1,226,611)	(\$1,501,371)	(\$1,531,399)
Fringe Benefits	(\$794,306)	(\$964,966)	(\$977,001)
Exp. & Equip.	(\$110,994)	(\$29,943)	(\$30,542)
<u>Total Cost</u> – DPS	(\$2,131,911)	(\$2,496,280)	(\$2,538,942)
FTE Change – DPS	23 FTE	23 FTE	23 FTE
<u>Costs</u> – DPS- DO - Office space lease	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – OA-ITDS/DPS	(\$1,097,178)	(\$226,698)	(\$232,365)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	Could Exceed (\$3,229,089)	Could Exceed (\$2,722,978)	Could Exceed (\$2,771,307)
Estimated Net FTE Change to the General Revenue Fund	23 FTE	23 FTE	23 FTE
CRIMINAL RECORDS SYSTEM FUND (0671)			
<u>Revenue</u> – DPS-MHP – §1.1400 Criminal history request fees p. 4	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS SYSTEM FUND	Unknown	Unknown	Unknown

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND (0644)			
<u>Costs – DPS-MHP - §1.1400 - Equipment Replacement Costs p. 3 - 4</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE STATE HIGHWAYS AND TRANSPORTAION DEPARTMENT 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>Cost -§§ 1.1400 & 1.1410- Local Governments – cost for equipment and/or compliance checks</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue – School Districts – §1.1410 Fines from violations</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT – Small Business

There could be an impact on small businesses if they are prohibited from being a contracted vendor with the state as a result of the proposed legislation.

FISCAL DESCRIPTION

This bill creates the "Missouri Critical Infrastructure Protection Act", which prohibits a company or other entity constructing, repairing, operating, or otherwise having significant access to

critical infrastructure or a governmental agency from entering into an agreement relating to critical infrastructure in this State with a foreign principal from the country of a foreign adversary if the agreement would allow the foreign principal to directly or remotely access or control critical infrastructure in this State. An entity can enter into a contract or agreement relating to critical infrastructure with a foreign principal or use products or services produced by a foreign principal under certain circumstances specified in the bill.

Before accessing critical infrastructure, a company must file a certification form with and pay a certification fee to the Department of Public Safety. To maintain registration as a company with access to critical infrastructure, a company must complete the requirements specified in the bill.

The owner of a critical infrastructure installation must notify the Department of any proposed sale or transfer of or investment in such critical infrastructure to an entity domiciled outside of the United States or an entity with any foreign adversary ownership. The Department has 30 days following the notice to investigate the proposed sale, transfer, or investment. If the Department reasonably believes that such proposed sale, transfer, or investment will threaten state critical infrastructure security, state economic security, state or national public health, or any combination of those matters, the Attorney General, must file a request for injunction opposing the proposed sale, transfer, or investment with the Supreme Court. If the Court finds that such sale, transfer, or investment poses a reasonable threat, the Court must issue a denial of approval.

The Department must notify critical infrastructure entities of known or suspected cyber threats, vulnerabilities, and adversarial activities.

After August 28, 2025, a governmental entity or critical infrastructure provider cannot knowingly enter into or renew a contract with a vendor if the government of a foreign adversary owns a contracting vendor or has a controlling interest in the vendor or if the product sold by the vendor is produced by a government of a foreign adversary, a company primarily domiciled in the country of a foreign adversary, or a company owned or controlled by a company primarily domiciled in the country of a foreign adversary.

After August 28, 2025, a governmental entity or critical infrastructure provider cannot knowingly enter into or renew a contract for certain products with a vendor that is owned by the government of a foreign adversary, primarily domiciled within the country of a foreign adversary, owned or controlled by a company primarily domiciled in the country of a foreign adversary, or in which the government of a foreign adversary has a controlling interest. The Department must create a public listing of prohibited products and companies for governmental entities and critical infrastructure providers. After August 28, 2025, each critical infrastructure provider in Missouri must certify to the Department that they are in compliance with these prohibitions.

The bill also creates the "Missouri Secure Communications Act", which requires that all critical communications infrastructure located within or serving this State cannot include any equipment manufactured by a federally banned corporation, as defined in the bill. All critical

communications infrastructure in operation within or serving this State, including any critical communications infrastructure that is not permanently disabled, must have all prohibited equipment removed and replaced.

Any communications provider that removes, discontinues, or replaces any prohibited communications equipment or service is not required to obtain any additional permits from any State agency or political subdivision for the removal, discontinuance, or replacement of such communications equipment or service as long as the State agency or political subdivision is notified of the necessary replacements and the replacement equipment is similar to the existing equipment. Any communications provider providing service in this State that utilizes equipment from a Federally banned corporation must register, as required by the bill, with the Public Service Commission (PSC) before September 1, 2025, and on January first of each subsequent year until such equipment is removed. If a communications provider certifies to the PSC that it is a participant in the Federal Secure and Trusted Communications Networks Reimbursement Program, the communications provider must submit a status report to the PSC every quarter that details the communications provider's compliance with the reimbursement program.

Any communications provider that violates the provisions of the Act will be subject to a fine of no less than \$5,000 and no more than \$25,000 per day of noncompliance. Any communications provider that submits a false registration form will be subject to a fine of no less than \$10,000 and no more than \$20,000 per day of noncompliance.

Any communications provider that fails to comply is prohibited from receiving any state or local funds and any federal funds subject to distribution by state or local governments for the development or support of new or existing critical communications infrastructure.

The PSC must develop and publish, on a quarterly basis, a map of known prohibited communications equipment of all communications providers within or serving this State.

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 Public Safety
 Capitol Police
 Office of the Director
 Missouri Highway Patrol
 State Emergency Management Agency
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration

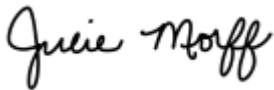
L.R. No. 2618H.011

Bill No. HB 1231

Page **12** of **12**

April 1, 2025

Office of the Secretary of State
Joint Committee on Administrative Rules
City of Kansas City
City of O'Fallon
City of Osceola
Phelps County Sheriff
Metropolitan St. Louis Sewer District - 7B Sewer
Morgan County PWSD #2
Osceola Water/Wastewater
South River Drainage District - 7D Levee
Wayne County PWSD #2



Julie Morff
Director
April 1, 2025



Jessica Harris
Assistant Director
April 1, 2025