

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4019H.011
 Bill No.: HB 1747
 Subject: Internet And E-Mail; Civil Procedure; Science and Technology
 Type: Original
 Date: March 30, 2026

Bill Summary: This proposal allows a person to bring a cause of action against another person or entity for damages for failing to state certain content is generated or modified using artificial intelligence.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
State Highways and Transportation Department	(Could exceed \$1,938,026)	(Could exceed \$2,202,176)	(Could exceed \$2,206,199)
University Funds*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$1,938,026)	(Could exceed \$2,202,176)	(Could exceed \$2,206,199)

*Unknown costs to watermark documents.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
State Highways and Transportation Department	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 2 FTE
Total Estimated Net Effect on FTE	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 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 2027	FY 2028	FY 2029
Local Government*	(Unknown)	(Unknown)	(Unknown)

*Unknown costs to watermark documents.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Office of Prosecution Services** did not respond to **Oversight's** request for a statement of fiscal impact for this proposal.

§537.041 – Cause of Action for Damages for Failing to State Certain Content is AI Generated

Officials from the **Department of Public Safety (DPS) - Missouri Highway Patrol (MHP)** state the Patrol uses Artificial Intelligence (AI) for development of email, documents, and training materials. The Patrol will also be using AI for redaction and other applications. Preliminary estimates would be that the MHP processes over 1,000,000 videos, several million documents, emails, and other files each year. Each of these files could need the watermark since they may be manipulated by an AI tool.

To add watermarks to each of the documents, the Patrol estimates a cost of around \$1.00 per watermark; therefore, the anticipated cost to watermark documents is expected to exceed \$2,000,000 annually. In addition, this could entail multimedia watermark software needing to be purchased or developed. The cost of this software is estimated to be \$100,000 or more. The MHP would require at least 2 FTEs (Client Support Technicians) to track, add and log the work.

Total costs to the State Highways and Transportation Department Fund (1644) is expected to exceed \$1,937,959 for FY27; \$2,202,176 for FY28; and \$2,206,199 for FY29.

Oversight has no information to the contrary. Therefore, Oversight will present the fiscal impact of this proposal as provided by MHP. For fiscal note purposes, Oversight will present FTE as “could exceed” the lower number provided by the MHP.

Officials from the **Office of Administration - Budget and Planning (B&P)** state §537.041.2 requires the Secretary of State's Office to develop a mark or statement that shall be used by all persons or entities publishing or disseminating any image, video, or audio generated or modified using artificial intelligence. Development and administration of this mark or statement could incur additional costs for the Secretary of State's Office. B&P defers to SOS for their input on any specific anticipated costs.

Section 537.041.3 creates a cause of action for people that have suffered an injury as a result of unverified image, video, or audio generated or modified by artificial intelligence. B&P assumes this subsection could lead to increased civil litigation in Missouri Circuit Courts. Further, §488.027 RSMo, requires all civil cases filed in Missouri Circuit Courts to pay a fee, which is to be deposited into the Statewide Court Automation Fund. Provided increased civil litigation occurs as a result of this legislation, the revenues of the Statewide Court Automation Fund could increase, which would increase Total State Revenue and impact Article X Section 18(e) of the Missouri State Constitution.

Oversight has no information to the contrary. Oversight assumes fees collected from civil litigation cases will be minimal and will not present these fees for fiscal note purposes.

Officials from the **University of Missouri System (UM)** anticipate this proposal would result in approximate cost increases of \$20,000 per fiscal year for procurement of a watermark software tool to achieve the AI indicator, and staff time to implement and train on the process.

Officials from the **University of Central Missouri (UCM)** indicate this proposal will have an indeterminate fiscal impact on their organization.

Oversight has no information to the contrary. Oversight assumes other institutions of higher education and local political subdivisions could also incur additional costs related to identifying documents that might be AI generated. Therefore, Oversight will present an (Unknown) cost to University Funds as well as (Unknown) costs to local governments in the fiscal note.

Officials from the **Eastern Clay Ambulance District** indicated the proposed legislation would have an impact on their organization. However, no explanation regarding the potential impact was provided.

Officials from the **Attorney General's Office, 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 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, Divisions of: Alcohol & Tobacco Control, Capital Police, Fire Safety, Director's Office, Missouri Gaming Commission, Missouri Veterans Commission, and 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, Petroleum Storage Tank Insurance Fund, Office of the State Courts Administrator, Office of the State Public Defender Office of the State Treasurer, City of Kansas City, Platte County Board of Elections, St. Louis City Board of Elections, St. Louis County Board of Elections, Newton County Health Department, Phelps County Sheriff, Branson Police Department, Kansas City Police Department, St. Louis County Police Department, County Employees Retirement Fund, Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, Metro St. Louis Sewer District Employees Pension Plan, Public Education Employees' Retirement System, Sheriff's Retirement System, Metropolitan St. Louis Sewer District, South River Drainage District, Wayne County Public Water Supply District #2, Northwest Missouri State University, Kansas City Port Authority, Office of the Lieutenant Governor, Office of the State Auditor, Missouri House of Representatives, 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 the 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.

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 contacted the SOS requesting additional information relating to the potential cost for the SOS to develop a water mark or statement to be put on images, videos or audio generated using artificial intelligence as required by the legislation. The SOS did not provide any response regarding the potential cost. Therefore, Oversight assumes the costs for the SOS to create this mark or statement to be minimal and absorbable within the SOS's current funding levels.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, local election authorities, county commissioners, local public health agencies, county recorders, nursing homes, county assessors, county auditors, county circuit clerks, county collectors, county prosecutors, county treasurers, county public administrators, county clerks, sheriffs and police departments, fire protection districts, ambulance & EMS, retirement, schools and charter schools, utilities, hospitals colleges and community colleges, electric companies and coops, solid waste management districts and public libraries were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND (1644)			
<u>Cost – DPS-MHP (§537.041) p.3</u>	Could exceed...	Could exceed...	Could exceed...
Personal service	(\$87,383)	(\$106,957)	(\$109,096)
Fringe benefits	(\$76,976)	(\$94,219)	(\$96,103)
Equipment and expense	(\$7,000)	(\$1,000)	(\$1,000)
<u>Total Costs - MHP</u>	<u>(\$171,359)</u>	<u>(\$202,176)</u>	<u>(\$206,199)</u>
FTE Change - MHP	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 2 FTE
<u>Cost – DPS-MHP (§537.041) Multimedia Watermark Software p.3</u>	(Could exceed \$100,000)	\$0	\$0
<u>Cost – DPS-MHP (537.041) Watermark application costs p.3</u>	(Could exceed \$1,666,667)	(Could exceed \$2,000,000)	(Could exceed \$2,000,000)
ESTIMATED NET EFFECT ON THE STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND	(Could exceed \$1,938,026)	(Could exceed \$2,202,176)	(Could exceed \$2,206,199)
Estimated Net FTE Change on the State Highways and Transportation Department Fund	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 2 FTE
UNIVERSITY FUNDS			
<u>Cost – Universities (§537.041) Potential costs to mark documents as possibly AI modified p.3</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – (§537.041) Potential costs related to marking documents as being AI modified p.3	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill requires that any image, video, or audio generated or modified using artificial intelligence (AI) must contain a mark or statement that indicates that the image, video, or audio was generated or modified through the use of AI. The mark or statement may be visual or audible.

The mark or statement will be developed by the Missouri Secretary of State and must be used by all persons or entities publishing or disseminating AI.

A person who has suffered injury for a violation of these provisions will have civil cause of action against the publisher or disseminator of the AI.

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
- 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 –
 Alcohol & Tobacco Control
 Capitol Police
 Fire Safety
 Director’s Office
 Missouri Gaming Commission
 Missouri Highway Patrol
 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 State Courts Administrator
Petroleum Storage Tank Insurance Fund
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
University of Missouri
City of Kansas City
Platte County Board of Elections
St. Louis City Board of Elections
St. Louis County Board of Elections
Newton County Health Department
Phelps County Sheriff
Branson Police Department
Kansas City Police Department
St. Louis County Police Department
Eastern Clay Ambulance District
County Employees Retirement Fund
Kansas City Civilian Police Employees’ Retirement
Kansas City Police Retirement System
Metro St. Louis Sewer District Employees Pension Plan

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Public Education Employees' Retirement System
Sheriff's Retirement System
Metropolitan St. Louis Sewer District
South River Drainage District
Wayne County Public Water Supply District #2
Northwest Missouri State University
University of Central Missouri
Kansas City Port Authority
Office of the Lieutenant Governor
Office of the State Auditor
Missouri House of Representatives
Joint Committee on Administrative Rules
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
State Tax Commission



Julie Morff
Director
March 30, 2026



Jessica Harris
Assistant Director
March 30, 2026