

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4570H.03P
 Bill No.: Perfected HCS for HB No. 2035 & 2350
 Subject: Civil Procedure; Science and Technology; Internet and E-Mail; Crimes and Punishment; Criminal Procedure
 Type: Updated
 Date: April 14, 2026

#Updated to include missing responses.

Bill Summary: This proposal establishes and modifies provisions relating to artificially generated material.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2036)
#General Revenue*	(\$213,191 to Unknown)	(\$521,891 to Unknown)	(\$798,493 to Unknown)	(\$1,762,833 to Unknown)
#Total Estimated Net Effect on General Revenue	(\$213,191 to Unknown)	(\$521,891 to Unknown)	(\$798,493 to Unknown)	(\$1,762,833 to Unknown)

*DOC notes that current capacity will be met by July 2029 (FY 2030) or potentially much sooner. Therefore, Oversight has made the decision to reflect the marginal cost of incarceration up to an unknown cost if DOC needs to add staff and/or rehabilitate, expand or construct additional capacity. Oversight assumes the unknown cost has the potential to exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2036)
Merchandising Practices Revolving*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other State Funds</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*Potential unknown violation/fines collected by the AGO assumed to be less than \$250,000 annually.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2036)
Total Estimated Net Effect on <u>All Federal Funds</u>	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2036)
#General Revenue	0 FTE	0 FTE	0 FTE	1 FTE
#Total Estimated Net Effect on FTE	0 FTE	0 FTE	0 FTE	1 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	Fully Implemented (FY 2036)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

House Amendment No. 1 - §407.3007 - Provisions Relating to Artificial Intelligence in Mental Health

In response to similar legislation, SB 1444 (2026), officials from the **Office of Attorney General (AGO)** assumed 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 - Budget and Planning (B&P)** state §407.3007 imposes new penalties for advertising or representing to the public that AI is able to act as a mental health professional. 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 any additional such revenues are deposited into the state treasury, TSR may increase.

#The bill adds "artificially generated visual depiction" to the definition of child pornography in 573.010. The expansion of this definition would affect offenses and penalties in multiple other statutes. 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 any additional such revenues are deposited into the state treasury, TSR may increase.

#**Oversight** notes provisions in §407.3007.3 provide that any violation of the provisions of this section shall be considered an unlawful practice under the Missouri merchandising practices act. Subsection .4 provides the attorney general shall enforce the provisions of the section and if a violation is found to have occurred, the attorney general shall commence a civil action. If the court finds a violation occurred, the court may grant damages, civil penalties of \$10,000 for the first violation and \$20,000 for any subsequent violation. Since violations are considered an unlawful practice under the merchandising practices act, Oversight assumes any penalties collected will be deposited in the Merchandising Practices Revolving Fund (1631). Oversight further assumes penalties collected will not exceed \$250,000 annually.

§§537.039, 573.010, and 573.550 – Provisions Relating to Artificially Generated Material

#Officials from the **Department of Corrections (DOC)** state §573.010 expands the definition of child pornography to include artificially generated visual depictions. Therefore, the intent of this legislation is to create new felonies under §573.025 (Promoting child pornography in the first

degree), §573.035 (Promoting child pornography in the second degree) and §573.037 (Possession of child pornography).

#Promoting child pornography in the first degree is considered a class B felony unless the person knowingly promotes such material to a minor, in which case it is a class A felony. Those found guilty under this section are ineligible for probation, parole or conditional release for a period of 3 years, however, given the time to first release is greater than 3 years for both classes and DOC does not estimate probation will be an option for either class, neither of these stipulations are estimated to generate an impact.

#As these are new crimes, there is little direct data on which to base an estimate, and as such, the department estimates an impact comparable to the creation of a new class A felony and a new class B felony.

#Offenders committed to prison with a class A felony have an average sentence length of 17.1 years and serve, on average, 12.3 years in prison prior to first release. The department assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

#The sentence lengths associated with these offenses pushes the estimate of total cumulative impact on the DOC beyond the 10-year time frame of this fiscal note. However, the estimated impact by FY 2036 is 10 additional offenders in prison.

#Given the seriousness of class B felony offenses and that the introduction of a completely new class B felony offense is a rare event, the department assumes the admission of one person per year to prison following the passage of the legislative proposal.

#Offenders committed to prison with a class B felony as their most serious sentence, have an average sentence length of 9.0 years and serve, on average, 3.4 years in prison prior to first release. The DOC assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

#The cumulative impact on the DOC is estimated to be 5 additional offenders in prison and no additional offenders on field supervision by FY 2031.

#The offense of promoting child pornography in the second degree is a class D felony unless the person knowingly promotes such material to a minor, in which case it is a class B felony. No person who is found guilty of promoting child pornography in the second degree shall be eligible for probation. While this stipulation of no probation will not affect the impact of the class B felony, this will shift any assumed probations under the class D felony to assignment to prison.

#As these are new crimes, there is little direct data on which to base an estimate, and as such, the DOC estimates an impact comparable to the creation of a new class B felony and a new class D felony.

#Given the seriousness of class B felony offenses and that the introduction of a completely new class B felony offense is a rare event, the DOC assumes the admission of one person per year to prison following the passage of the legislative proposal.

#Offenders committed to prison with a class B felony as their most serious sentence, have an average sentence length of 9.0 years and serve, on average, 3.4 years in prison prior to first release. The DOC assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

#The cumulative impact on the DOC is estimated to be 5 additional offenders in prison and no additional offenders on field supervision by FY 2031.

#For each new sex or child abuse related class D felony, the DOC estimates seven people could be sentenced to prison and four to probation. The average sentence for a sex or child abuse related class D felony offense is 6.6 years, with 4.7 years served in prison prior to first release. Probation sentences are not allowed under this section, so these four cases will be shifted to the prison population under this scenario.

#The cumulative impact on the DOC is estimated to be 58 additional offenders in prison and 8 additional offenders on field supervision by FY 2032.

#The offense of possession of child pornography is a class D felony if the person possesses one still image of child pornography or one obscene still image. The offense of possession of child pornography is a class B felony if the person:

- (1) Possesses:
 - a) More than twenty still images of child pornography; or
 - b) More than twenty obscene still images; or
 - c) Child pornography comprised of one motion picture, film, videotape, videotape production, or other moving image; or
 - d) Obscene material comprised of one motion picture, film, videotape production, or other moving image; or
- (2) Has previously been found guilty of an offense under this section.

#As these are new crimes, there is little direct data on which to base an estimate, and as such, the DOC estimates an impact comparable to the creation of a new class B felony and a new class D felony.

#Given the seriousness of class B felony offenses and that the introduction of a completely new class B felony offense is a rare event, the DOC assumes the admission of one person per year to prison following the passage of the legislative proposal.

#Offenders committed to prison with a class B felony as their most serious sentence, have an average sentence length of 9.0 years and serve, on average, 3.4 years in prison prior to first

release. The DOC assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

#The cumulative impact on the DOC is estimated to be 5 additional offenders in prison and no additional offenders on field supervision by FY 2031.

#For each new sex or child abuse related class D felony, the DOC estimates seven people could be sentenced to prison and four to probation. The average sentence for a sex or child abuse related class D felony offense is 6.6 years, with 4.7 years served in prison prior to first release. Probation sentences will be 5 years.

#The cumulative impact on the DOC is estimated to be 37 additional offenders in prison and 25 additional offenders on field supervision by FY 2032.

#Cumulative Estimated Impact

The cumulative estimated impact is an increase of 122 offenders in the prison population and an increase of 51 offenders in the field population by FY 2033.

	# to prison	Cost per year	Total Costs for prison	Change in probatio n & parole officers	Total cost for probation and parole	# to probation & parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	23	(\$11,123)	(\$213,191)	0	\$0	4	(\$213,191)
Year 2	46	(\$11,123)	(\$521,891)	0	\$0	8	(\$521,891)
Year 3	69	(\$11,123)	(\$798,493)	0	\$0	12	(\$798,493)
Year 4	92	(\$11,123)	(\$1,085,951)	0	\$0	16	(\$1,085,951)
Year 5	115	(\$11,123)	(\$1,384,588)	0	\$0	20	(\$1,384,588)
Year 6	121	(\$11,123)	(\$1,485,964)	0	\$0	37	(\$1,485,964)
Year 7	122	(\$11,123)	(\$1,528,209)	1	(\$107,531)	51	(\$1,635,740)
Year 8	123	(\$11,123)	(\$1,571,550)	1	(\$99,089)	55	(\$1,670,639)
Year 9	124	(\$11,123)	(\$1,616,014)	1	(\$100,142)	59	(\$1,716,156)
Year 10	125	(\$11,123)	(\$1,661,627)	1	(\$101,206)	59	(\$1,762,833)

#The DOC will assume a marginal cost (multiplied by number of offenders) for any projected increase or decrease in the incarcerated population. Marginal cost is \$30.47 per day or an annual cost of \$11,123 per offender which includes costs such as medical, food, wages and operational E&E. The unknown amount is a result of the uncertainty in the growth of the underlying offender population. The impact of any new legislation combined with the growth of the

underlying population could result in the tiered approach below in order to meet the population demands.

1. Fully staffing DOC's current capacity (27,368) which is habitable, but DOC does not have the staffing resources for all bed space.
2. Rehabilitating current space that is not currently habitable and obtaining staffing resources for that space (requires capital improvements).
3. Expanding new capacity by adding housing units or wings to existing prisons and obtaining staffing resources for that space (requires capital improvements).
4. Constructing a new prison and obtaining staffing resources. Based on current construction projects in other Midwest states, the department estimates the cost of constructing a new 1,500-bed maximum security prison at approximately \$825 million to \$900 million plus annual operating costs of approximately \$50 million (requires capital improvements).

#The DOC's population projections indicate current physical capacity will be met by July 2029; however recent trends indicate that capacity could be met much sooner. Should new construction be the result of the increasing offender population, the full cost per day per offender would be used which is \$106.96 or an annual cost of \$39,040. This includes all items in the marginal cost calculation plus fringe, personal service, utilities, etc.

#DOC's cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

#In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

##* If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

#Oversight has no information to the contrary. Therefore, Oversight will present the fiscal impact of this proposal as provided by DOC.

#Officials from the **Office of Administration - Budget and Planning (B&P)** state §573.550 expands misdemeanor charges on artificially generated visual depictions. In the event this increases fines/penalties, there would be an impact on TSR.

#**Oversight** notes a violation of the provisions of this proposal results in a misdemeanor or felony charge which carries a fine in addition to any individual county/municipal fees and court costs. The fine revenue for the ticket goes to local school funds and court costs go to various state and local funds. Oversight assumes there will be some (less than \$250,000) amount of fine revenue from violations of the statute. For simplicity, Oversight will not reflect the increased revenue from fines and court costs to various state funds and local political subdivisions.

In response to a previous version, HB 2035 (2026), officials from the **Office of Attorney General (AGO)** assumed 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.

In response to similar legislation, HB 2350 (2026), officials from the **Missouri Office of Prosecution Services** assumed the proposal would have no fiscal impact on their organization.

Oversight notes that the above-mentioned agency 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.

Bill as a Whole

#Officials from the **Kansas City Election Board** state this proposal does not provide sufficient information in the bill text for them to determine whether this will have a fiscal impact on their operations.

#**Oversight** notes that in response to similar legislation, HS HCS HBs 3068 & 3049 (2026), officials from the Kansas City Election Board assumed the proposal would have no fiscal impact on their organization. Therefore, Oversight assumes no impact for this organization.

#Officials from the **Eastern Clay Ambulance District** state this proposal will have a fiscal impact on their organization. **Oversight** notes, however, no information was provided relating to the impact. Therefore, Oversight assumes any impact will be minimal and absorbable within current funding levels and will present no fiscal impact for this organization.

#Officials from the **Office of Administration - Administrative Hearing Commission, Department of Higher Education and Workforce Development, Department of Mental Health, Department of Natural Resources, Department of Labor and Industrial Relations,**

Department of Revenue, Department of Public Safety, Divisions of: Alcohol & Tobacco Control, Capitol Police, Fire Safety and Missouri Gaming Commission, Department of Social Services, Office of the Governor, Missouri Department of Agriculture, Missouri Department of Conservation, Missouri Ethics Commission, Missouri National Guard, 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, Platte County Board of Elections, St. Louis City Board of Elections, St. Louis County Board of Elections, Newton County Health Department, St. Louis City Assessor, Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, Public Education Employees' Retirement System, Sheriff's Retirement System, South River Drainage District, Wayne County Public Water Supply District #2, Northwest Missouri State University, University of Central Missouri, Office of the Lieutenant Governor, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Legislative Research, Missouri Senate, Missouri Consolidated Health Care Plan, and Missouri State Employee'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.

Officials from the **Department of Commerce and Insurance, Department of Economic Development, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Public Safety, Divisions of: Director's Office, Missouri Highway Patrol, Missouri Veterans Commission, and State Emergency Management Agency, Missouri Department of Transportation, MoDOT & Patrol Employees' Retirement System, Office of the State Treasurer, City of Kansas City, Phelps County Sheriff, Branson Police Department, Kansas City Police Department, St. Louis County Police Department, County Employees Retirement Fund, Metropolitan St. Louis Sewer District, Office of the State Auditor, Missouri House of Representatives, Oversight Division, Missouri Lottery, Office of the State Auditor, 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.

#Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, local election authorities, various county officials, local public health agencies, nursing homes, local law enforcement agencies, fire protection districts, ambulance & EMS, retirement systems, school and charter schools, utilities, hospitals, colleges and universities, electric companies and coops, 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	Fully Implemented (FY 2036)
#GENERAL REVENUE				
<u>#Cost – DOC (§573.010) p.4-8</u>				
Personal service	\$0	\$0	\$0	(\$56,344)
Fringe benefits	\$0	\$0	\$0	(\$40,528)
Equipment and expense	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,334)</u>
<u>Total Costs - DOC</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$101,206)</u>
FTE Change - DOC	0 FTE	0 FTE	0 FTE	1 FTE
<u>#Cost - DOC (§573.010)</u> Increase in incarceration and probation and parole costs p.4-8	(\$213,191 to <u>Unknown</u>)	(\$521,891 to <u>Unknown</u>)	(\$798,493 to <u>Unknown</u>)	(\$1,661,627 to <u>Unknown</u>)
#ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$213,191 to <u>Unknown</u>)	(\$521,891 to <u>Unknown</u>)	(\$798,493 to <u>Unknown</u>)	(\$1,762,833 to <u>Unknown</u>)
<u>#Estimated Net FTE Change on General Revenue</u>	0 FTE	0 FTE	0 FTE	1 FTE
MERCHANDISING PRACTICES REVOLVING FUND (1631)				
<u>Revenue Gain – AGO</u> (\$407.3007) Potential increase in collections for violations p.3	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON THE MERCHANDISING PRACTICES REVOLVING FUND	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2036)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

House Amendment No. 1 - This bill prohibits any person or entity that develops or deploys artificial intelligence in this state from advertising or representing to the public that the AI is, or is able to act as, a mental health professional or is capable of providing therapy services, psychotherapy services, or a mental health diagnosis.

A violation of this provision constitutes an unlawful practice under the Missouri merchandising practices act.

The Attorney General is required to enforce the provisions of this bill, though any individual can report violations to the Attorney General. If a violation is found to have occurred, the Attorney General must commence a civil action.

The bill provides for civil penalties as follows:

- (1) \$10,000 for the first violation; or
- (2) \$20,000 for any subsequent violation.

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 and 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
City of Kansas City
Kansas City Election Board
Platte County Election Board
St. Louis City Election Board
St. Louis County Election Board
Newton County Health Department
St. Louis City Assessor
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
Public Education Employees' Retirement System

L.R. No. 4570H.03P
Bill No. Perfected HCS for HB No. 2035 & 2350
Page **14** of **14**
April 14, 2026

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
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
Missouri Consolidated Health Care Plan
Missouri State Employee's Retirement System
State Tax Commission
Missouri Office of Prosecution Services



Julie Morff
Director
April 14, 2026



Jessica Harris
Assistant Director
April 14, 2026