

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2021-22</b>		<b>FY 2022-23</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS	\$94,519		\$90,669	
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$94,519</b>		<b>\$90,669</b>	

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 648 relates to the Department of Banking and Finance and proposes the adoption of the Transactions in Digital Assets Act to authorize banks to provide custodial services for digital assets. The Act defines custodial services and digital assets and provides for enhanced supervision of digital asset custody by the Department of Banking and Finance. Additionally, the bill provides language to offset the costs of supervision and administration of section 5(12) through assessments to banks which provide custodial services; however, the sections that provide for the assessments have not been amended to provide the revenue for these costs.

The Department notes that undertaking these activities are significant and would require additional supports. To fulfill these obligations, the Department would require the addition of 1 staff person, an Examiner Specialist for Digital Assets, and other operating costs and capital outlay. The total cost for FY 2021-22 is \$94,519 and \$90,669 for FY 2022-23 in Cash Funds.

Pursuant to Section 4 of the Act, a secured party may file a financing statement with the Secretary of State to perfect a security interest in proceeds from a digital asset. The Secretary of State expects the additional filings to be negligible and therefore does not anticipate a fiscal impact.

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 648	AM:	AGENCY/POLT. SUB: Department of Banking & Finance	
REVIEWED BY: Neil Sullivan	DATE: 2/1/2021	PHONE: (402) 471-4179	
COMMENTS: The Department of Banking & Finance assessment of fiscal impact from LB 648 appears reasonable. Resulting unsustainability of the revenue stream may result in a future General Fund impact.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 648	AM:	AGENCY/POLT. SUB: Secretary of State	
REVIEWED BY: Neil Sullivan	DATE: 1/29/2021	PHONE: (402) 471-4179	
COMMENTS: The Secretary of State assessment of minimal fiscal impact from LB 648 appears reasonable.			

Please complete ALL (5) blanks in the first three lines.

2021

LB<sup>(1)</sup> 648

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Banking and Finance

Prepared by: <sup>(3)</sup> Margo Sawyer Date Prepared: <sup>(4)</sup> 1/28/21 Phone: <sup>(5)</sup> 402-471-4954

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	94,519		90,669	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>94,519</u>		<u>90,669</u>	

Explanation of Estimate:

LB 648 would adopt the Transactions in Digital Assets Act (“Act”) to authorize banks to provide custodial services for digital assets. The Act defines digital asset, digital asset control, smart contract, multi-signature arrangement as custodial assets held by a bank, and digital asset custody. The bill provides for enhanced supervision of digital asset custody, and assigns supervision to the Department of Banking and Finance (“Department”).

LB 648 would require the Department to:

- Establish a process of accepting notice of banks providing custodial services.
- Establish performance standards, examination processes reflecting bank’s custodial performance.
- Establish call reports reflective of custodial activity, determine if periodic assessment required.
- Establish standards relative to public accountant performance of duties and reports.
- Define a complaint review process regarding digital assets.

These activities are significant and would require the addition of one Examiner Specialist for Digital Assets.

Section 5(12) of the bill provides “To offset the costs of supervision and administration of this section, a bank which provides custodial services under this section shall pay the assessment as provided for in sections 8-601 and 8-605 and the costs of any examination or investigation as provided in sections 8-108 and 8-606.” The bill, however, does not contain an amendment to those statutes to authorize an additional assessment to state-chartered banks. As such, no new revenue is estimated, and long-term fiscal impact is unsustainable within the current revenue stream.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Examiner Specialist	1	1	62,624	62,624
Benefits.....			18,787	18,787
Operating.....			7,758	7,758
Travel.....			1,500	1,500
Capital outlay.....			3,850	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>94,519</u>	<u>90,669</u>

Please complete ALL (5) blanks in the first three lines.

**2021**

**LB<sup>(1)</sup> 648**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Secretary of State

Prepared by: <sup>(3)</sup> Joan Arnold Date Prepared: <sup>(4)</sup> 1/27/2021 Phone: <sup>(5)</sup> 402-471-2384

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 648 adopts the Transactions in Digital Assets Act. Pursuant to Sec. 4 of the Act, a secured party may file a financing statement with the Secretary of State to perfect a security interest in proceeds from a digital asset. We expect the number of additional filings related to digital transactions over the next biennium to be negligible and therefore do not anticipate a fiscal impact from this legislation at this time.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____