

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$31,400		\$32,200	
CASH FUNDS	\$205,100	\$20,000	\$231,655	\$55,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$236,500</b>	<b>\$20,000</b>	<b>\$263,855</b>	<b>\$55,000</b>

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

LB 691 creates the Nebraska Virtual Currency Money Laundering Act.

The Act prohibits involvement in a financial transaction that represents unlawful activity with the intent to promote unlawful activity, make it unlawful to engage in financial transactions which represent the proceeds of unlawful activity, avoid financial reporting requirements and licensing requirements under the Nebraska Money Transmitters Act (NMTA).

LB 691 amends the NMTA to include virtual currency within the definition of monetary value under the NMTA. The effect of this amendment will be that persons engaged in the business of receiving virtual currency for transmission to another location will be deemed money transmitters under the NMTA and required to be licensed.

Section 11 of the bill requires all persons engaged in a trade or business who receive more than \$10,000 in virtual currency in one transaction or two or more related transactions to complete and file with the Department of Revenue, a form with the information required by 26 U.S. C. Section 60501 (Federal Form 8300). Any person who fails to comply is guilty of a Class I misdemeanor and punished by a fine not to exceed \$250,000 or twice the value of the virtual currency involved, whichever is greater. The Department of Revenue is to enforce this section and is the custodian of the information. The information is confidential and not subject to public records disclosure. However, the Department may provide any report filed under this section, or information contained therein, to federal, state, and local law enforcement and prosecutorial agencies, the Nebraska Department of Banking, and the Nebraska Attorney General.

The Act is to become part of the Nebraska Criminal Code.

The Department of Revenue has indicated they will require 0.5 FTE Revenue Investigator to implement the provisions of the bill applying to the Department. Cost to the Department is estimated at \$31,400 for FY2018-19 and \$32,200 for FY2019-20. PSL is \$23,400 and \$24,200, for the respective fiscal years.

We have no basis to disagree with the Department of Revenue’s estimate of cost.

The Nebraska Department of Banking indicates that while the projected increase in licensure, as noted above, will result in a slight increase in revenue, the Department will be unable to absorb the projected increase in licensing with current resources. The reporting requirements in Section 11 of the bill are projected to result in an increase in administrative actions brought by the Department of Banking and they indicate they will be unable to absorb the additional investigation, examination, and legal duties with their current resources.

To carry out the provisions of LB 691, the Department of Banking indicates they will require 1.0 FTE Attorney III, 1.0 FTE Examiner Specialist in FY2018-19 and forward, and 1.0 FTE Staff Assistant II in FY2019-20. Total costs for FY2018-19 will be \$205,100 and for FY2019-20 will be \$231,655. PSL for FY2018-19 will be \$129,180 and \$164,735 for FY2019-20.

We have no basis to disagree with the Department of Banking’s estimate of fiscal impact and cost.

The Attorney General indicates no fiscal impact as a result of the provisions of LB 691.

We have no basis to disagree with the Attorney General’s estimate of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 691 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Lee Will DATE: 02/06/2018 PHONE: [\(402\) 471-4175](tel:(402)471-4175)

COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions used.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 691 AM: AGENCY/POLT. SUB: Department of Banking and Finance

REVIEWED BY: Lee Will DATE: 01/18/2018 PHONE: [\(402\) 471-4175](tel:(402)471-4175)

COMMENTS: No basis to disagree with the Department of Banking and Finance's assessment of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 691 AM: AGENCY/POLT. SUB: Nebraska State Patrol

REVIEWED BY: Lee Will DATE: 01/18/2018 PHONE: [\(402\) 471-4175](tel:(402)471-4175)

COMMENTS: Concur with the Nebraska State Patrol's assessment of no fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 691 AM: AGENCY/POLT. SUB: Attorney General

REVIEWED BY: Lee Will DATE: 01/10/2018 PHONE: [\(402\) 471-4175](tel:(402)471-4175)

COMMENTS: No basis to disagree with the Attorney General's assessment of no fiscal impact.

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

2018

LB<sup>(1)</sup> 691

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Margo Sawyer Date Prepared: <sup>(4)</sup> 1/10/18 Phone: <sup>(5)</sup> 471-4954

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	<u>240,655</u>	<u>20,000</u>	<u>231,655</u>	<u>55,000</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>240,655</u>	<u>20,000</u>	<u>231,655</u>	<u>55,000</u>

Explanation of Estimate:

LB 691 would adopt the Nebraska Virtual Currency Money Laundering Act to make it unlawful to engage in a financial transaction which represents the proceeds of unlawful activity and to avoid financial transaction reporting requirements and licensing requirements under the Nebraska Money Transmitters Act (“NMTA”). The bill defines financial transaction as a transaction involving the movement of virtual currency, which in any way affects commerce, or the transfer of title to real or personal property.

LB 691 would amend the NMTA, which is under the jurisdiction of the Nebraska Department of Banking and Finance (NDBF), to include virtual currency within the definition of monetary value under the NMTA. The effect of the amendment will be that persons engaged in the business of receiving virtual currency for transmission to another location will be deemed money transmitters under the NMTA and required to be licensed.

The NMTA became operative January 1, 2014, with 62 entities licensed on June 30, 2014. There has been steady growth in the area, with 100 entities licensed as of January 10, 2018. This is an average of 10 new licensees each year who deal in established currencies such as the dollar, pound, peso, and yen. Based on its knowledge of the proliferation of the virtual currency industry, NDBF expects a significant increase in the number of applicants and licensees if LB 691 is adopted. NDBF estimates a minimum of 20 virtual currency applications in the first year, and an additional 50 virtual currency applications in each of the two succeeding years. NDBF does not expect any reduction in the number of new licensees per year that deal in established currencies (that would offset the growth due to virtual currency licensees) because of increased consumer demand for electronic money transmission services. While the increase in the number of licensees will result in a slight increase in revenue (application fee of \$1,000.00 and annual renewal fee of \$250.00), NDBF will be unable to absorb the projected increase in licensing with current resources.

LB 691 also requires persons who receive more than \$10,000 in virtual currency in any one transaction or through two or more related transactions to file reports with the Nebraska Department of Revenue (NDOR). The NDOR would be required to share the reports with NDBF and the Attorney General. These reports will require follow-up and investigation by NDBF to determine whether unlicensed activity under the NMTA is occurring. If the reports involve existing licensees, examination of their books and records will be required. In all cases, there will be an increase in administrative actions brought by NDBF. NDBF will be unable to absorb the additional investigation, examination, and legal duties with current resources.

NDBF will require an additional Attorney III, Examiner Specialist, and Staff Assistant II if LB 691 is adopted, and will incur additional training and education expenses for new and existing staff because virtual currency is a new, evolving, and complex area. Travel expenses include training for seven current staff members in addition to the three new FTE.

Revenue Calculations:

		<u>FY 2018-19</u>		<u>FY 2019-20</u>
Application Fee	20 x 1,000	20,000	50 x 1,000	50,000
Renewal Fee			20 x 250	5,000
<b>TOTAL</b>		<b>20,000</b>		<b>55,000</b>

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Attorney III	1	1	67,505	67,505
Examiner Specialist	1	1	61,675	61,675
Staff Assistant II		1		35,555
Benefits.....			49,420	49,420
Operating.....			12,500	12,500
Travel.....			5,000	5,000
Capital outlay.....			9,000	
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>205,100</b>	<b>231,655</b>

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**2018**

**LB<sup>(1)</sup> 691**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska State Patrol

Prepared by: <sup>(3)</sup> Carol Aversman Date Prepared: <sup>(4)</sup> 1-15-2018 Phone: <sup>(5)</sup> \_\_\_\_\_

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

	<u>FY 2018-19</u>		<u>FY 2019-20</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:

**No Fiscal Impact**

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2018**

**LB<sup>(1)</sup> 691**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Attorney General

Prepared by: <sup>(3)</sup> Corey O'Brien Date Prepared: <sup>(4)</sup> 1-9-18 Phone: <sup>(5)</sup> 471-2687

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

	<u>FY 2018-19</u>		<u>FY 2019-20</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:

No Fiscal Impact.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

