

CORRECTIONS IMPACT STATEMENT

SESSION: 26RS BILL #: HB 380

HCS 1

BR #: 1451

BILL SPONSOR(S): Rep. T. Smith, A. Thompson

AMENDMENT SPONSOR(S):

TITLE: AN ACT relating to the regulation of virtual currency kiosk business.

SUMMARY OF LEGISLATION: Amend various sections and create new sections of Subtitle 11 of KRS Chapter 286 to expand the scope of the subtitle to include virtual currency kiosk business; define terms; require licensure for virtual currency kiosk business in this state; require each virtual currency kiosk business location to be approved by the commissioner of the Department of Financial Institutions; require each application for a license to engage in virtual currency kiosk business to be accompanied by a surety bond or other similar security; establish requirements for approval to engage in virtual currency kiosk business at a location in this state; apply examination, investigation, recordkeeping, registered agent, and trade practice requirements to virtual currency kiosk operators; establish reporting, transaction, trade practice, notice, disclosure, fraud detection, and refund requirements for virtual currency kiosk operators; apply license and civil penalties to virtual currency kiosk operators; authorize the commissioner to order any virtual currency kiosk operator to provide refunds and to direct any peace officer to seize, impound, or render inoperable a virtual currency kiosk; establish the purpose of the Act; amend KRS 286.2-015 to authorize political subdivisions of this Commonwealth to enact and enforce ordinances, regulations, and resolutions pertaining to virtual currency kiosk business; create a new section of KRS Chapter 367 to provide that a violation of Subtitle 11 of KRS Chapter 286 by a virtual currency kiosk operator shall be deemed a violation of, and subject to the remedies and penalties of, KRS 367.170; repeal KRS 286.11-065, relating to licenses issued under former KRS Chapter 366; require the commissioner to promulgate emergency and ordinary administrative regulations to implement the Act within 30 days after the effective date of the Act; provide that persons shall not be required to comply with licensing and other provisions of the Act until certain contingencies are satisfied.

AMENDMENT: HCS 1: Retain original provisions; except establish Subtitle 13 of KRS Chapter 286 and create new sections thereof to regulate virtual currency kiosk business; establish definitions and exemptions; provide for enforcement by the commissioner of the Department of Financial Institutions; authorize the commissioner to require licensees to file special and regular reports; establish license requirements for virtual currency kiosks; permit regulatory filings to be submitted to a nationwide licensing system registry; establish initial and renewal application processes and requirements, reporting, bond and tangible net worth, and change of control requirements for virtual currency kiosk operators; require the commissioner to promulgate administrative regulations to establish format, document submission, and fee requirements for virtual currency kiosk operators; establish agent, record retention, and permissible investment requirements for virtual currency kiosk operators; establish virtual currency kiosk transaction limits, disclosures, receipt requirements, trade practice requirements, prohibited practices, anti-fraud and information security compliance procedures, and refund requirements; authorize the commissioner to accept complaints and conduct investigations and examinations; provide for the confidentiality of certain documents provided to the commissioner; authorize the commissioner to share, disclose, and report information and take other actions to assist in the commissioner's duties; require the commissioner to publish an annual report on the department's website; establish due process requirements for adverse actions taken by the commissioner against licensees and other persons; establish requirements for the denial, suspension, or revocation of a license; authorize the commissioner to enter cease and desist orders and emergency orders; authorize the commissioner to order civil penalties; establish criminal penalties for false records and unlicensed activity; amend KRS 431.073 to authorize expungement of a Class D felony under the virtual currency kiosk business subtitle; require the commissioner of the Department of Financial Institutions to promulgate any required emergency and ordinary administrative regulations on or before January 1, 2027; **EFFECTIVE**, in part, April 30, 2027.

This bill amendment committee substitute is expected to:

Have the following Corrections impact

Creates new crime(s)

Increases penalty for existing crime(s)

Increases incarceration

Reduces inmate/offender services

Increases staff time or positions

Have no Corrections impact.

Repeals existing crime(s)

Decreases penalty for existing crime(s)

Decreases incarceration.

Increases inmate/offender services.

Reduces staff time or positions.

Changes elements of the offense for existing crime(s)

Otherwise impacts incarceration (Explain):

STATE IMPACT: Class A, B, & C felonies are based on an average daily prison rate of \$116.41. Community Custody Class C and most Class D felons are housed in one of seventy-four (74) full-service or regional jails for up to five (5) years. Department of Corrections cost to incarcerate a felony inmate in jail is \$46.51 per day, which includes \$35.34 per diem, medical costs, and central office administrative costs (substance abuse treatment not included).*

Projected Impact: NONE MINIMAL to MODERATE (< \$1 million) SIGNIFICANT (> \$1 million)

The legislation would not increase operational costs at the state level.

LOCAL IMPACT: Local governments are responsible for the cost of incarcerating individuals charged with Class A or B misdemeanors and felony defendants until the disposition of the case. The estimated impact will be based on the \$46.51 cost to incarcerate for the Department of Corrections, including \$35.34 per diem and medical that DOC pays jails to house felony offenders. This cost to incarcerate may not be the actual housing cost for the jail.*

Projected Impact: NONE MINIMAL to MODERATE (< \$1 million) SIGNIFICANT (> \$1 million)

The legislation would not increase operational costs at the local level.

PROJECTED IMPACT FROM AMENDMENTS: NONE MINIMAL to MODERATE (< \$1 million) SIGNIFICANT (> \$1 million)

HCS 1: The legislation would likely result in a minimal increase in operational costs at the state and local level by creating a new Class D and Class C Felony.

Class D felons are housed in a county jail, and DOC pays counties a per diem for housing those inmates. A Class D Felony sentence is 1 to 5 years.

- One (1) Class D Felon costs KY \$16,975.64 to \$84,878.20
- Ten (10) Class D Felons cost KY \$169,756.40 to \$848,781.99
- One hundred (100) Class D Felons cost KY \$1,697,563.98 to \$8,487,819.88

The majority of Class C felons serve their time in a prison, although some Class C felons serve their time in a jail on community custody, during which time DOC would pay county jails a per diem rate for housing those inmates. The below costs assume time is served in a prison. A Class C Felony sentence is 5 to 10 years.

- One (1) Class C Felon costs KY \$212,440.64 to \$424,881.28
- Ten (10) Class C Felons cost KY \$2,124,406.41 to \$4,248,812.82
- One hundred (100) Class C Felons cost KY \$21,244,064.09 to \$42,488,128.18

Population counts and offender data are sourced from the Kentucky Offender Management System (KOMS). Cost to Incarcerate can be found on corrections.ky.gov/public-information.

**All projections are based on the daily rate x 365 days x number of years. The cost to incarcerate as calculated by the Department is shown here as rounded to the hundredths. Offenders may have multiple offenses or be incarcerated on other charges unless otherwise noted. Unless otherwise noted, numbers will include inchoate offenses at the underlying offense level.*

The following offices contributed to this Corrections Impact Statement:

Dept. of Corrections Dept. of Kentucky State Police Administrative Office of the Courts Parole Board Other

NOTE: Consideration should be given to the cumulative impact of all bills that increase the felon population, lengthen the term of incarceration, or impose new obligations on state or local governments.

APPROVED BY: Coker Crews
Commissioner, Kentucky Department of Corrections

3/23/2026
Date