

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6436-05
Bill No.: Perfected HCS for HB 2238
Subject: Drugs and Controlled Substances; Crimes and Punishment; Criminal Procedure
Type: Original
Date: April 23, 2014

Bill Summary: This proposal allows the Department of Agriculture to grow industrial hemp for research purposes and allows for the use of hemp extract to treat certain individuals with epilepsy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$225,088)	(\$122,266)	(\$123,697)
Total Estimated Net Effect on General Revenue Fund	(\$225,088)	(\$122,266)	(\$123,697)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	3.5 FTE	3.5 FTE	3.5 FTE
Total Estimated Net Effect on FTE	3.5 FTE	3.5 FTE	3.5 FTE

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§ 192.945, 195.207, 261.265, and 261.267 - Industrial Hemp for Research Purposes:

Officials from the **Department of Agriculture (AGR)** assume this proposal is related to the Federal Agriculture Act of 2014.

AGR assumes the director of the department will have to solicit demand from institutions of higher education within the state.

AGR assumes rules will be developed for site registration and certification. Registration and certification would require a fee to cover the MDA costs.

AGR assumes, due to the regulated nature of Cannabis, site inspections will be required in addition to random sampling of the plants to ensure the THC level is at the allowable level.

AGR assumes a program coordinator will be needed to develop program processes, procedures, monitoring, and sampling registered sites

AGR requests 1 FTE for a Program Coordinator with an annual salary of \$44,712 and 1 FTE for a Senior Office Support Assistant with an annual salary of \$28,620.

AGR assumes new equipment for the additional 2 FTE will cost of \$13,820 in FY15.

AGR assumes expenses costs for the additional 2 FTE will cost \$8,433 in FY 15, \$10,424 in FY16, and \$10,736 in FY17.

For the purpose of the fiscal note **Oversight** will show the additional salary and expense cost to General Revenue for the additional FTE requested by AGR.

Oversight assumes the new equipment costs can be absorbed by AGR.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services (DHSS)** assume this proposal will require the department employ one Health Program Representative III (HPR) to administer the program, including developing and maintaining the Access database into which applicant data will be entered, scanning and retrieving applicant data, and for working with the physician to identify card holders no longer eligible for the program. The HPR will also be responsible for the printing and mailing of the identification cards and for the generation of applicant and renewal reports.

DHSS assumes the proposal will require the department to employ 0.5 FTE Physician to review statements from neurologists to ensure applicants have the qualifying diagnosis of intractable epilepsy.

DHSS notes in calendar year 2012 data indicates that approximately 313 inpatient and Emergency Room diagnoses for intractable epilepsy were made. For purposes of this fiscal note, DHSS assumes the 100 cards would be issued in FY 2015 and assumes that 400 applications will be issued annually each year after that. It is further assumed that these applicants will be mailed a registration card both initially and with each annual renewal.

DHSS assume the department would purchase a printer to print the identification cards which recent price quotes received for this type of equipment indicate a purchase price for the equipment needed to be \$12,447. DHSS estimates that the 400 cards will cost \$4 each and a new card will be mailed upon renewal. For fiscal note purposes, DHSS assumes the 100 cards would be issued in FY 2015. Postage for mailing of the cards will be \$0.381 each.

DHSS assumes applications will be received in paper form by the program and all items will be scanned and entered into Content Manager. License fees and maintenance for 1.5 FTE to use Content Manager will be \$675 in FY 2015, \$473 in FY 2016 and \$135 in FY 2017.

DHSS assumes that applicant and renewal fees will be assessed at a level sufficient to cover program expenses in FY 2016 and FY 2017.

Oversight assumes this proposal allows DHSS to administer a hemp registration process for individuals with "intractable epilepsy" to lawfully possess and use hemp extract.

Oversight assumes DHSS will establish fees that are no greater than the amount necessary to cover the cost for the provisions of this proposal beginning in FY16.

ASSUMPTION (continued)

Oversight assumes fee income will lag behind the initial startup costs of the new DHSS hemp extract registration program. Initial one time start up expenses for this proposal will be shown in FY15, the first year of the program.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** this proposal authorizes the Department of Agriculture (AGR) to produce, manufacture, and distribute hemp extract through the growth or cultivation of industrial hemp. The Department of Health and Senior Services (DHSS) is authorized to administer a hemp registration process for individuals with "intractable epilepsy" to lawfully possess and use hemp extract.

BAP assumes DHSS is explicitly authorized to charge a fee to administer the registration program. This provision will increase total state revenue and the Article X, Section 18(e) calculation by an unknown amount.

BAP assumes the proposal does not explicitly authorize AGR to charge fees to recoup costs associated with the growth, production, and distribution of hemp extract.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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 assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **University of Missouri (MU)** assume the fiscal impact of this proposal should not exceed \$100,000.

Oversight assumes any costs to MU from this proposal would be absorbed by the University.

Officials from the **Department of Revenue**, the **Department of Corrections**, and the **Missouri State Highway Patrol** each assume the proposal would not fiscally impact their respective agencies.

In response to the previous version of this proposal, officials from the, **Department of Higher Education**, **Joint Committee on Administrative Rules**, **Missouri State University**, **Linn State Technical College**, and **Northwestern Missouri State University** each assumed the proposal would not fiscally impact their respective agencies.

House Amendment 1:

Oversight assumes the provisions in House Amendment 1 would not result in any change to the fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Income - DHSS</u>			
§§ 192.945, 195.207 - Fees from hemp registration for individuals with intractable epilepsy	\$38,300	\$153,172	\$154,606
<u>Costs - DHSS</u>			
§§ 192.945, 195.207 - Administration of hemp extract program			
Personal Service	(\$85,770)	(\$86,628)	(\$87,494)
Fringe Benefits	(\$43,747)	(\$44,185)	(\$44,626)
Expense and Equipment	(\$33,160)	(\$22,359)	(\$22,486)
<u>Total Costs - DHSS</u>	<u>(\$162,676)</u>	<u>(\$153,172)</u>	<u>(\$154,606)</u>
FTE Change - DHSS	1.5 FTE	1.5 FTE	1.5 FTE
<u>Costs - AGR</u>			
§§ 261.265, 261.267 - growth, production, and distribution of hemp extract			
Personal Service	(\$61,110)	(\$74,065)	(\$74,806)
Fringe Benefits	(\$31,169)	(\$37,777)	(\$38,155)
Expense and Equipment	(\$8,433)	(\$10,424)	(\$10,736)
<u>Total Costs - AGR</u>	<u>(\$100,712)</u>	<u>(\$122,266)</u>	<u>(\$123,697)</u>
FTE Change - AGR	2.0 FTE	2.0 FTE	2.0 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$225,088)</u>	<u>(\$122,266)</u>	<u>(\$123,697)</u>
Estimated Net FTE Change for the General Revenue Fund	3.5 FTE	3.5 FTE	3.5 FTE
<u>FISCAL IMPACT - Local Government</u>			
	FY 2015	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§§ 192.945, 195.207, 261.265, and 261.267 - Industrial Hemp for Research Purposes:

This proposal authorizes the Department of Agriculture (AGR) to produce, manufacture, and distribute hemp extract through the growth or cultivation of industrial hemp. The Department of Health and Senior Services (DHSS) is authorized to administer a hemp registration process for individuals with "intractable epilepsy" to lawfully possess and use hemp extract. DHSS is explicitly authorized to charge a fee to administer the registration program. However, the proposal does not explicitly authorize AGR to charge fees to recoup costs associated with the growth, production, and distribution of hemp extract.

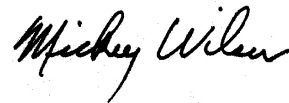
This proposal contains an emergency clause.

§§ 261.265, and 261.267 are considered nonseverable.

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

Department of Health and Senior Services
Department of Agriculture
Department of Revenue
Department of Public Safety
Department of Higher Education
Department of Corrections
Office of Secretary of State
Joint Committee on Administrative Rules
University of Missouri
Missouri State University
Northwest Missouri State University
Linn State Technical College



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April 23, 2014

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April 23, 2014