

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6436-07
Bill No.: Truly Agreed To and Finally Passed SCS for HCS for HB 2238
Subject: Drugs and Controlled Substances; Crimes and Punishment; Criminal Procedure
Type: Original
Date: May 15, 2014

Bill Summary: This proposal allows the use of hemp extract for the treatment of intractable epilepsy and creates licensing and registration procedures for the use, manufacture, and distribution of hemp.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$292,749)	(\$122,266)	(\$123,697)
Total Estimated Net Effect on General Revenue Fund	(\$292,749)	(\$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	4.5 FTE	4.5 FTE	4.5 FTE
Total Estimated Net Effect on FTE	4.5 FTE	4.5 FTE	4.5 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, and 261.265 - Hemp Extract:

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 to 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 assumes the proposal will require the department to employ 1.0 FTE Investigator II who will be responsible for inspecting/investigating cannabidiol oil care centers regarding the distribution of hemp extract in accordance with the rules to be promulgated under Section 192.945.2.

DHSS assumed in calendar year 2012 data indicated that approximately 313 inpatient and Emergency Room diagnoses for intractable epilepsy were made. For purposes of this fiscal note, DHSS assumed the 100 cards would be issued in FY 2015 and assumes that 400 applications will be issued annually each year after that.

DHSS further assumed that these applicants will be mailed a registration card both initially and with each annual renewal.

DHSS assumed 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 estimated that the 400 cards will cost \$4 each and a new card will be mailed upon renewal. For fiscal note purposes, DHSS assumed the 100 cards would be issued in FY 2015. Postage for mailing of the cards will be \$0.381 each.

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

ASSUMPTION (continued)

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.

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)** assume this proposal authorizes AGR to produce, manufacture, and distribute hemp extract through the growth or cultivation of industrial hemp. 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 this proposal authorizes AGR to license growers, cultivation and production facilities, and cannabidiol oil care centers to grow, cultivate, process, produce, and distribute hemp and hemp extract.

BAP assumed the proposal does not explicitly authorize AGR to charge fees to recoup costs associated with the growth, production, and distribution of hemp extract, they are given regulatory authority to determine "application requirements for licensing." Such application requirements must include a fingerprint and criminal background check.

BAP assumes any fees associated with the application (i.e. licensure fees and fees to conduct such fingerprint and background checks) will increase total state revenue and the Article X, Section 18(e) calculation by an unknown amount.

BAP defers to MDA and DHSS for estimates of the proposal's statewide impact.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state AGR was unable to determine the number of fingerprint-based criminal background checks that could be expected based on the passage of this proposal.

ASSUMPTION (continued)

MHP notes the total cost for each background check processed is \$44.80. Twenty dollars for the state fingerprint check, \$16.50 for the federal check, and an \$8.30 charge for the electronic fingerprint option used through a third party vendor. Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$16.50 for a pass-thru fee. The \$8.30 charge is paid directly to the vendor at the time of application.

MHP assumes the total number of background checks is not known, the potential revenue received by MHP can not be determined.

For the purpose of the fiscal note, **Oversight** will assume the potential revenue to MHP from additional background checks is minimal and will not be reflected in the fiscal note.

In response to the previous version of this proposal, officials from the **University of Missouri (MU)** assumed 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 **University of Central Missouri (UCM)** state because participation is optional the University would anticipate no direct fiscal impact from this proposal. If UCM were certified to grow hemp, it would incur increased costs to fund the program and additional security.

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 **Department of Revenue**, the **Department of Higher Education**, the **Joint Committee on Administrative Rules**, **Missouri State University**, and **Northwestern Missouri State University** each assume the proposal would not fiscally impact their respective agencies.

<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	\$56,200	\$223,571	\$225,684
<u>Costs - DHSS</u>			
§§ 192.945, 195.207 - Administration of hemp extract program			
Personal Service	(\$122,942)	(\$124,171)	(\$125,413)
Fringe Benefits	(\$62,707)	(\$63,333)	(\$63,967)
Expense and Equipment	(\$62,588)	(\$36,067)	(\$36,304)
<u>Total Costs - DHSS</u>	<u>(\$248,237)</u>	<u>(\$223,571)</u>	<u>(\$225,684)</u>
FTE Change - DHSS	2.5 FTE	2.5 FTE	2.5 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>(\$292,749)</u>	<u>(\$122,266)</u>	<u>(\$123,697)</u>
Estimated Net FTE Change for the General Revenue Fund	4.5 FTE	4.5 FTE	4.5 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, and 261.265 - Hemp Extract:

This proposal allows the Department of Health and Senior Services (DHSS) to issue a hemp extract registration card to a Missouri resident who is 18 years of age or older, or a parent or legal guardian of a minor, who has intractable epilepsy as determined by a neurologist.

This proposal gives DHSS rulemaking authority to implement the provisions of the act, regulate the distribution of hemp extract, and allow clinical trials involving hemp extract.

DHSS must establish fees that are no greater than the amount necessary to cover the costs the department incurs. The registration cards issued under this section are valid for one year.

This proposal requires the Department of Agriculture (AGR) to license up to two nonprofit entities to produce and distribute hemp extract for the treatment of intractable epilepsy. The proposal provides auditing and inspection provisions for the licensees.

Each licensee can have up to three cannabidiol oil care centers in which the licensee is authorized to distribute processed hemp extract to registrants.

AGR must promulgate regulations regarding the manufacture, storage, and transportation of hemp extract and for application requirements for licensing, security requirements, hemp monitoring systems, and other procedures for internal control.

This proposal contains an emergency clause.

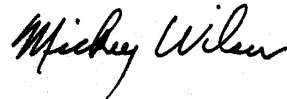
§§ 192.945 and 261.265 are considered nonseverable.

FISCAL DESCRIPTION (continued)

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
Office of Administration - Division of Budget and Planning
Department of Revenue
Department of Public Safety - Missouri State Highway Patrol
Department of Higher Education
Office of Secretary of State
Joint Committee on Administrative Rules
University of Missouri
Missouri State University
Northwest Missouri State University



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May 15, 2014

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