

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0594-02
Bill No.: SB 56
Subject: Crimes and Punishment; Drugs and Controlled Substances; Pharmacy
Type: Original
Date: April 26, 2017

Bill Summary: This proposal allows marijuana to be produced, distributed, and consumed for medicinal purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$19,323) to Unknown	Could exceed \$3,078,791	Could exceed \$4,433,189
Total Estimated Net Effect on General Revenue	(\$19,323) to Unknown	Could exceed \$3,078,791	Could exceed \$4,433,189

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Missouri Veterans' Health and Care	(\$3,017,522) to (Less than \$299,782)	\$179,599 to Could exceed \$11,223,824	\$5,951,691 to Could exceed \$12,248,066
Criminal Records	\$27,500	\$33,000	\$33,000
School District	Could exceed \$92,000	Could exceed \$1,100,000	Could exceed \$1,557,000
Parks & Soil and Water	Could exceed \$9,000	Could exceed \$110,000	Could exceed \$156,000
Conservation Commission	Could exceed \$11,000	Could exceed \$138,000	Could exceed \$195,000
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$2,878,022) to (Less than \$160,282)	\$1,560,599 to Could exceed \$12,604,824	\$7,892,691 to Could exceed \$14,189,066

* Transfer-in and expenses net to \$0.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 32 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	2	2	2
Missouri Veterans' Health and Care	61	95	95
Total Estimated Net Effect on FTE	63	97	97

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	Less than \$17,442	Less than \$3,688,180	Less than \$5,388,180

FISCAL ANALYSIS

ASSUMPTION

§§579.250 - 579.270 - Medical Marijuana

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation requires the DHSS to issue annual registrations for patients and their designated caregivers, patient and caregiver cultivators, medical marijuana cultivation facilities, medical marijuana dispensary facilities, and medical marijuana-infused products manufacturing facilities.

The proposal allows for the following registration/license fees to be collected:

	Initial Application and Annual Renewal	
Qualifying Patient ID Card	\$25.00	
Primary Caregiver ID Card	\$25.00	
Patient or Caregiver Cultivation ID Card	\$100.00	
	Initial Application Fee & Renewal License Application Fee (3 yr. license)	Annual Licensing Fee
Medical Marijuana Cultivation Facility License	\$3,000	\$20,000
Medical Marijuana Dispensary Facility License	\$3,000	\$10,000
Medical Marijuana-Infused Products Manufacturing License	\$3,000	\$10,000

The provisions of this proposed legislation would become effective on August 28, 2017. According to the proposed provisions, DHSS shall make available to the public all license application forms and the application forms for qualifying patients, caregivers, and qualifying patient cultivation identification cards within 90 days of the effective date of the section. DHSS shall accept all applications no later than 150 days following the effective date of this section. For purposes of this fiscal note, it is assumed that the first fees for license applications and identification cards would be collected January 1, 2018 (FY 2018).

The estimations for the number of each type of registration and license issued each year are provided in the Division of Community and Public Health's (DCPH) assumptions below. The total estimate of collected fees equals \$4,636,740 for FY 2018, \$13,586,225 for FY 2019 and \$12,843,375 for FY 2020.

ASSUMPTION (continued)

Section 579.255.1(1) of the proposed legislation allows DHSS to issue rules creating a range of administrative penalties related to implementation and enforcement of rules that ensure the right to, availability, and safe use of marijuana for medicinal purposes. These administrative penalties could include penalty fees but the fee amounts and frequency of penalties issued are unknown at this time.

Section 579.260.1 of the proposed legislation mandates each licensed Medical Marijuana Dispensary facility to collect a four percent tax on the retail sale of all medical marijuana products sold to be collected by the Department of Revenue (DOR). The amount of tax that will be collected is unknown and DHSS defers to DOR for these estimates.

DOR may retain up to five percent of the annual taxes collected. The rest of the tax collected is to be deposited by DOR into the Missouri Veterans' Health and Care Fund. This fund shall consist of all fees and taxes collected pursuant to this proposed section.

The **Division of Community and Public Health (DCPH)** provides:

Applications for Patient and Caregiver Identification:

Section 579.255 requires DHSS to issue registration cards for qualified patients and their caregivers. A study by the nonprofit entity ProCon organization, updated March 2016, published the rates of patient registration cards issued for each state with a medical marijuana program (<http://medicalmarijuana.procon.org/view.resource.php?resourceID=005889>). This study found that Oregon was issuing qualified patient cards at a ratio of 19.2 per 1,000 state residents. For purposes of this fiscal note, the State of Oregon's program will be benchmarked in regards to the number of patient and primary caregiver registrants. While the Oregon program was initiated in May 1999 and therefore has an established program, the state of Missouri's chronic disease rates are generally higher and the qualifying medical conditions accepted under Missouri's proposal are broader than those of Oregon.

Calculation of applications:

Patients: According to the 2015 U.S. Census Bureau information, Missouri's population is at 6,083,672. Applying the rate of 19.2 applications per 1,000 residents, Missouri would estimate issuing **116,807 patient registration cards** annually $((6,083,672/1,000) \times 19.2)$.

Caregivers: According to the October 1, 2016 data on Oregon's Medical Marijuana Program Website, the ratio of patient registration cards to caregiver cards is calculated at 2.29. Calculating this same ratio, Missouri would estimate issuing **51,008 caregiver cards** annually $(116,807/2.29)$.

ASSUMPTION (continued)

DHSS is required to have the applications for the qualifying patient and caregiver identification cards available within 90 days of the effective date, therefore November 28, 2017. Section 579.255.6 requires DHSS to begin accepting applications for the qualifying patient and caregiver cards no later than 150 days from the effective date (January 28, 2018). For purposes of this fiscal note analysis, it is assumed that DHSS will begin accepting applications January 1, 2018 and will receive 50 percent of the expected annual registrations within the remaining six months of FY 2018 [(116,807 x 0.50 = 58,404 patient cards) + (51,008 x 0.50 = 25,504 caregiver cards) = 83,908 registration cards]. In FY 2019, DHSS will receive the remaining 50 percent of the expected annual registration applications. In FY 2019, 10 percent of the initial applications will not renew. It is also assumed that initial registrations will grow by 10 percent from the total initial registrations processed in FY 2018 and FY 2019. It is assumed that only 90 percent of the total initial registrations in FY 2018 and 2019 will renew in FY 2020. DHSS will collect an application fee of \$25 per card, per Section 579.255.17 and 579.255.18. It is assumed that the fees will be collected in the same fiscal year the applications are received.

	FY 2018	FY 2019	FY 2020
Qualifying Patient Initial Applications	58,404	58,403	11,681
Qualifying Patient Renewal Applications	0	52,564	105,126
Caregiver Initial Applications	25,504	25,504	5,101
Caregiver Renewal Applications	0	22,954	45,907
Total Patient & Caregiver Identification Cards	83,908	159,425	167,815
Total Patient & Caregiver Application Fees	\$2,097,700	\$3,985,625	\$4,195,375

Applications for Patient or Caregiver Cultivation Identification Cards:

Section 579.255 requires DHSS to issue identification cards for a qualifying patient or his or her primary caregiver for purposes of cultivating up to six flowering marijuana plants for the exclusive use of the qualifying patient. For purposes of this fiscal note, it is estimated that 10 percent of the qualifying patients will grow marijuana for themselves or it will be grown by their designated primary caregiver. It is assumed that initial registrations will grow by 10 percent from the total initial registrations processed in FY 2018 and FY 2019. It is also assumed that only 90 percent of the total initial registrations in FY 2018 and 2019 will renew in FY 2020. Therefore, it is estimated that 5,840 cultivation cards [(58,404 patient registrations for 6 months in FY2018) x 0.10] will be issued in FY 2018, 11,096 cultivation cards [(58,404 applicants for first 6 months of FY 2019 initial applicants) + (58,404 FY 2018 applicants x 0.90 renewals = 52,563 applicants) = 110,967 x 0.10] will be issued in FY 2019, and 11,680 cultivation cards [116,807 full year of applicants (includes 10% non-renewals + 10% growth) x 0.10] will be issued in FY 2020. DHSS will collect an annual application fee of \$100 per Section 579.255.10.

ASSUMPTION (continued)

	FY 2018	FY 2019	FY 2020
Cultivation Initial Applications	5,840	5,840	1,168
Cultivation Renewal Applications	0	5,256	10,512
Total Cultivation Identification Cards	5,840	11,096	11,680
Total Cultivation Identification Fees	\$584,040	\$1,109,600	\$1,168,000

Application and Licensing of Medical Marijuana Cultivation Facilities:

Section 579.255.7 authorizes the DHSS to establish the application and licensing process of medical marijuana cultivation facilities. For purposes of this fiscal note analysis, it is estimated that 76 facilities will apply and become licensed to fully operate cultivation facilities by the end of FY 2019. This estimate is based on the assumption that DHSS will limit the number of cultivation facilities licensed at the minimum required of one facility per 80,000 residents (6,083,672 Missouri residents/80,000 residents per facility = 76 facilities) as allowed per Section 579.255.13. DHSS must accept applications within 150 days of the effective date of the proposal but has 150 days to process an application for licensure, DHSS will begin collecting application fees in January 1, 2018 (FY 2018) but will not collect the first license fees until June 1, 2018. For purposes of the fiscal note estimate, it is assumed that half of the 76 facilities will apply within FY 2018 and the rest in FY 2019. It is also assumed that 25 percent of those applying in FY 2018 will be licensed in FY 2018, and all applying in FY 2018 and 2019 will be licensed by the end of FY 2019. It is assumed that initial registrations will grow by 10 percent from the total initial registrations processed in FY 2018 and FY 2019. It is further assumed that only 90 percent of the total initial registrations in FY 2018 and 2019 will renew in FY 2020. The proposed amendment sets the application fee at \$3,000 with an additional \$20,000 fee for each year of the license. The initial application is valid for a three year license period.

	FY 2018	FY 2019	FY 2020
Cultivation Facility Applications	38	38	0
Cultivation Facility Application Fees (\$3,000)	\$114,000	\$114,000	\$0,000
Cultivation Facility Annual Licenses	10	76	76
Cultivation Facility Annual License Fees (\$20,000)	\$200,000	\$1,520,000	\$1,520,000
Total Cultivation Application & License Fee	\$314,000	\$1,634,000	\$1,520,000

ASSUMPTION (continued)

Application and Licensing of Medical Marijuana Dispensing Facilities:

Section 579.255.8 authorizes the DHSS to establish the application and licensing process of medical marijuana dispensing facilities. For purposes of this fiscal note analysis, it is estimated that 421 facilities will apply and become licensed to fully operate dispensing facilities by the end of FY 2020. This estimate is based on the assumption that an average dispensing facility will serve 250 qualified patients (excluding those who have a cultivation identification card). This estimate is based on the ratio of registered dispensing facilities to qualifying patients seen in the state of Oregon (October 2015). DHSS must accept applications within 150 days of the effective date of the proposal but has 150 days to process an application for licensure; therefore, DHSS will begin collecting application fees in January 1, 2018 (FY 2018) but will not collect the first license fees until June 1, 2018. It is assumed that 50 percent of the dispensing facilities will apply in FY 2018 and the remaining 50 percent in FY 2019. It is also assumed that 25 percent of those applying in FY 2018 will also be licensed in FY 2018 and all applying in FY 2018 and 2019 will be licensed by the end of FY 2019. The proposed legislation sets the application fee at \$3,000 with an additional \$10,000 fee for each year of the license. The initial application is valid for a three year license.

	FY 2018	FY 2019	FY 2020
Dispensing Facility Applications	210	211	0
Dispensing Facility Application Fees (\$3,000)	\$630,000	\$633,000	\$0
Dispensing Facility Annual Licenses	53	421	421
Dispensing Facility Annual License Fees (\$10,000)	\$530,000	\$4,210,000	\$4,210,000
Total Dispensing Application & License Fee	\$1,160,000	\$4,843,000	\$4,210,000

Application and Licensing of Medical Marijuana-Infused Products Manufacturing Facilities:

Section 579.255.9 authorizes the DHSS to establish the application and licensing process of medical marijuana-infused products manufacturing facilities. For purposes of this fiscal note analysis, it is estimated that 175 facilities will apply and become licensed to fully operate medical marijuana-infused products manufacturing facilities by the end of FY 2020. This estimate is based on the assumption that an average dispensing facility will serve 600 qualified patients (excluding those who have a cultivation identification card). This estimate is based on the ratio of registered dispensing facilities to qualifying patients seen in the state of Colorado (October 2015). DHSS must accept applications within 150 days of the effective date of the proposal but

ASSUMPTION (continued)

has 150 days to process an application for licensure; therefore, DHSS will begin collecting application fees in January 1, 2018 (FY 2018) but will not collect the first license fees until June 1, 2018. It is assumed that 50 percent of the manufacturing facilities will apply in FY 2018 and the remaining 50 percent in FY 2019. It is also assumed that 25 percent of those applying in FY 2018 will also be licensed in FY 2018 and all applying in FY 2018 and 2019 will be licensed by the end of FY 2019. The proposed amendment sets the application fee at \$3,000 with an additional \$10,000 fee for each year of the license. The initial application is valid for a three year license.

	FY 2018	FY 2019	FY 2020
Manufacturing Facility Applications	87	88	0
Manufacturing Facility Application Fees (\$3,000)	\$261,000	\$264,000	\$0
Manufacturing Facility Annual Licenses	22	175	175
Manufacturing Facility Annual License Fees (\$10,000)	\$220,000	\$1,750,000	\$1,750,000
Total Manufacturing Application & License Fee	\$481,000	\$2,014,000	\$1,750,000

Total Revenue in Application and Licensing Fees

	FY 2018	FY 2019	FY 2020
Patient & Caregiver Application Fees	\$2,097,700	\$3,985,625	\$4,195,375
Patient or Caregiver Cultivation Fees	\$584,040	\$1,109,600	\$1,168,000
Cultivation Facility Fees	\$314,000	\$1,634,000	\$1,520,000
Dispensing Facility Fees	\$1,160,000	\$4,843,000	\$4,210,000
Infused Products Manufacturing Fees	\$481,000	\$2,014,000	\$1,750,000
Total Fees	\$4,636,740	\$13,586,225	\$12,843,375

Program Operations: Staffing

Section 579.255 requires the establishment of a medical marijuana program through promulgation of rules and implementation of those rules for administration of patient and caregiver identification cards; patient or caregiver cultivation identification cards; and licensing of medical marijuana cultivation facilities, dispensing facilities and infused products manufacturing facilities. This also includes the development of all program applications and forms, identification cards, and a computerized database system to allow for the electronic storage of and processing of data needed to issue identification cards and licenses. As a result, DCPH anticipates the need to hire the following staff beginning on August 28, 2017 (FY 2018) to begin development of the program/system:

ASSUMPTION (continued)

One (1) Program Manager Broad Band 2 (\$65,000 annually) to serve as Chief of the Medical Marijuana Bureau. Duties will include overall program management, including involvement in rule promulgation, development of forms, program policies and procedures, information system development, and initial program set-up. This position will also supervise the two Unit (Program) Coordinators, two Investigator III positions, a Health Program Representative III, and a Bureau Administrative Office Support Assistant.

Two (2) Program Coordinators (\$50,112 each, annually) to serve as Unit Coordinators. One Unit will be responsible for processing patient and caregiver applications, including patient or caregiver cultivation applications. The other unit will be responsible for the applications and licensing of the medical marijuana cultivation facilities, dispensing facilities, infused-products manufacturing facilities. These positions will be involved in the initial program development with the Bureau Chief, hiring of staff, and development of training for staff. Once the program is operational, the Coordinators responsibilities extend to implementation and maintenance of the program, responsibility for meeting application decision deadlines, and ongoing management responsibilities.

One (1) Health Program Representative III (\$39,708 annually) whose duties will include assistance in rule promulgation, program policies and procedures, forms development, information system development/troubleshooting and maintenance, and initial program set-up. This position will serve as the liaison between the Units and Information Technology (IT) work on system maintenance and enhancements. This position will also be responsible for establishing materials to educate the public about the program and exhibiting at conferences or other venues to education physicians and the general public.

One (1) Administrative Office Support Assistant (\$28,668 annually) whose duties will include providing administrative assistance to the Bureau Chief, Program Coordinators, Investigators, Inspectors, and HPR III positions. As allowed, this position will also assist in initial processing of patient and caregiver applications for registration cards.

The following staff will be hired effective November 1, 2018, as release of the application forms for patients and caregivers, patient or caregiver cultivators, and facility licenses is required by November 28, 2018. While the number of applications received is estimated to occur over time and the maximum not achieved until the end of FY 2019, bringing staff on at this time allows for training staff on all the rules and regulations and establishing procedures. It also compensates for the learning curve in establishing a very large program that is entirely new to the state.

ASSUMPTION (continued)

Two (2) Investigator III positions (\$41,184 each , annually) to investigate all instances/complaints of possible fraud or negligence on the behalf of a recommending physician, a registered patient and/or caregiver, a cultivator, or a medical marijuana facility. With a new program of this size and the legalization of something that remains illegal for the majority of the population, it is anticipated that DHSS will receive a fair number of calls reporting instances of possible violations. While two is estimated for purposes of this fiscal note, it may be necessary to add additional staff after the program is operational for some time. The additional costs remain unknown.

Two (2) Grain Inspector IV positions (\$38,304 each, annually) to complete the onsite inspections of the medical marijuana cultivation facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules that need to be met for initial and continued licensure of a facility. This specialty position was chosen because the most technical piece involves the process of testing plants for molds, mildew, and pesticides and making sure the facilities are dealing with these issues in a proper way.

One (1) Grain Inspector Compliance Coordinator (\$46,056 annually) to coordinate and supervise the work of the Grain Inspector positions; ensuring inspections are completed consistently and timely. This position will also provide technical assistance to the inspectors and make final action decisions/recommendations for problem inspections.

Six (6) Environmental Public Health Specialist IV positions (\$44,352 each, annually) to complete the onsite inspections of the medical marijuana dispensing and the medical-marijuana infused-products manufacturing facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules that need to be met for initial and continued licensure of a facility. This specialty position was chosen because the most technical piece involves ensuring sanitation requirements are met and the infused-products are labeled and packaged correctly.

One (1) Environmental Public Health Specialist V position (\$46,056 annually) to coordinate and supervise the work of the EPHS IV positions; ensuring inspections are completed consistently and timely. This position also provides technical assistance to the environmental specialists and makes final action decisions/recommendations for problem inspections.

47 Senior Office Support Assistant (SOSA) positions (\$26,340 annually, each) whose duties will include processing of paper applications to include opening and date stamping of mail, entry of application information into the electronic registry, initial verification of applicant and physician identification, initial application review to include determination of application approval or

ASSUMPTION (continued)

denial (including incomplete status), preparation of patient and caregiver identification cards, preparation of patient/caregiver cultivation identification cards, initial processing of medical marijuana facility applications, preparation of identification cards for all owners and employees of the medical marijuana facility licensees, processing revoked cards, and answering of phones and assisting telephone callers.

23 Health Program Representative II (HPR II) positions (\$35,640 annually, each) whose duties will include supervision of the SOSA positions and quality assurance checks of the application entry and initial verification completed by the SOSAs. This position will have responsibility for final approval of application incomplete notices, rejects, revocations, and card issuances. This position will ensure application process deadlines as mandated by the proposal are met. This position will also verify all registrations of owners and employees associated with the licensed medical marijuana facilities, including coordination with the Inspectors and Environmental Public Health Specialists for final issuance of facility licenses.

For fiscal note purposes, DHSS calculated 45 minutes per patient and caregiver application and 45 minutes per patient or caregiver cultivation application.

$179,495 \text{ applications (167,815 patient \& caregiver apps + 11,680 cultivation apps)} \times .75 \text{ hour} / 2,080 \text{ hours/year/staff} = 64.7 \text{ staff (round to 65 staff)}$.

DHSS assumed 14 hours for the processing of a facility (cultivation, dispensing, and manufacturing) application.

$76 \text{ cultivation facilities} + 421 \text{ dispensing facilities} + 175 \text{ infused products manufacturing facilities} = 672 \text{ facilities} \times 14 \text{ hours/facility} = 9,408 \text{ hours} / 2,080 \text{ hrs/year/staff} = 4.5 \text{ staff (round to 5 staff)}$. Total of 70 (65 + 5) processing staff (SOSA and HPR II positions).

Printing Costs

DHSS will print individual identification cards for the qualified patient, caregiver, patient or caregiver cultivation identification card, and identification cards for each owner, board member, employee of the licensed facilities. The cards are encoded with a magnetic stripe for security and linkage to the Information Technology (IT) system for dispensing purposes. DCPH will purchase a card delivery system with the ability to print the card with the magnetic stripe, attach the card to a personalized letter, and secure in an envelope ready for mailing. The initial cost of the card delivery system is estimated at \$277,000. In addition, there will be an annual equipment preventative maintenance fee of \$34,000. The average supply cost to print each card is \$0.59/card.

ASSUMPTION (continued)

DHSS is estimating the number of identification cards to be printed each year per facility licensed to be 25 for a cultivation facility, 10 for a dispensing facility, and 25 for a manufacturing facility. (76 cultivation facilities x 25 = 1,900 cards, 421 dispensing facilities x 10 = 4,210 cards, 175 manufacturing facilities x 25 = 4,375 cards, for a total of 6,300 identification cards). License certificates will be printed for each facility on special certificate paper (heat sensitive ink background) provided by state printing at a cost of approximately \$200 per 1,000 pieces of certificate paper.

DCPH will print 100,000 brochures each year the program is operational at a cost of \$0.06 per brochure. This brochure will provide the public with information about the medical cannabis program and assistance in completing a valid registration.

FY 2018

- 83,908 patient and caregiver cards + 5,840 cultivation cards + 250 cultivation facility identification cards + 530 dispensing facility identification + 550 manufacturing facility identification cards = **91,078** cards x \$0.59 per card/print supplies = \$53,736
 - 85 Certificates for facility licenses (\$200/1,000) = \$200
 - 100,000 brochures (\$0.06 per brochure) = \$6,000
- Total printing costs = \$59,936

FY 2019

- 159,425 patient and caregiver cards + 11,096 cultivation cards + 1,900 cultivation facility identification cards + 4,210 dispensing facility identification cards + 4,375 manufacturing facility identification cards = **181,006** cards x \$0.59 per card/print supplies = \$106,794
 - 672 Certificates for facility licenses (\$0 – 1,000 purchased in FY 2018)
 - 100,000 brochures (\$0.06 per brochure) = \$6,000
- Total printing costs = \$112,794

FY 2020

- 167,815 patient and caregiver cards + 11,680 cultivation cards + 1,900 identification cards for cultivation facilities, 4,210 identification cards for dispensing facilities + 4,375 for manufacturing facilities = **189,980** cards x \$0.59 per card/print supplies = \$112,088
 - 672 Certificates for facility licenses (\$200/1,000) = \$200
 - 100,000 brochures (\$0.06 per brochure) = \$6,000
- Total printing costs = \$118,288

ASSUMPTION (continued)

Mailing Costs

Each qualifying patient and primary caregiver will receive his/her card in the mail. If the patient or caregiver applied for a cultivation identification card, that card will be mailed separately. Each licensed facility will be mailed a copy of their license and identification cards. It is estimated that 10 percent (10%) of the registered participants, caregivers and patient/caregiver cultivators will submit a change request to their application requiring a change notification receipt by mailing. It is projected that five percent (5%) of all applications will be incomplete and require mailing of an incomplete notice. It is also projected that 25 percent (25%) of the printed brochures (25,000), along with paper applications, will be mailed to the public upon request. The other printed brochures will be available for distribution at conferences and other public venues.

Projected mailings are as follows:

	FY 2018	FY 2019	FY 2020
Patient & Caregiver ID Cards	83,908	159,425	167,815
Cultivation ID Cards	5,840	11,096	11,680
Facility License Certificates	85	672	672
Facility Identification Cards	1,330	10,510	10,510
Change Request Notifications	8,975	17,052	17,950
Incomplete Notifications	4,487	8,526	8,975
Brochures/app mailed	25,000	25,000	25,000
Total mailings	129,625	232,282	242,603

FY 2018

- 129,625 envelopes (\$41 per 1,000) = 130 X \$41 = \$5,330
- Postage (129,625 x \$0.39/postage rate) = \$50,554

FY 2019

- 232,281 envelopes (\$41 per 1,000) = 233 X \$41 = \$9,553
- Postage (232,281 x \$0.39/postage rate) = \$90,590

FY 2020

- 242,602 envelopes (\$41 per 1,000) = 243 X \$41 = \$9,963
- Postage (242,602 x \$0.39/postage rate) = \$94,615

ASSUMPTION (continued)

Criminal Records Check

Section 579.255.2(8) suggests that individual identification cards for owners, officers, managers, contractors, employees and other support staff of the licensed facilities shall include a fingerprint-based federal and state criminal record check in accordance with U.S. Public Law 92-544. Section 579.270.1(2) states no licensed facility shall have an owner, officer, manager, contractor, employee or other support staff with a disqualifying felony offense. DHSS assumes that as part of the facility license application, the facilities would need to submit a current fingerprint based criminal record report as would be promulgated in rule. Therefore, DHSS assumes no cost for obtaining the fingerprint check.

The **Division of Administration (DA)** provides:

DA assumes one Accounting Clerk can process 30,000 receipt transactions per year. An Accounting Generalist I/II would be needed to supervise for every five Accounting Clerks. Three Accounting Clerks will be hired effective January 1, 2018 as DHSS will begin collecting application fees in January 1, 2018. Three additional Accounting Clerks and one Accounting Generalist I/II will be hired effective June 1, 2018 as DHSS will collect the license fees in June 1, 2018.

Accounting Clerk (\$26,340 annually, each) duties would include:

- Open and sort mail;
- Process and enter receipts in the department computer system;
- Prepare bank deposits and cash receipts documents;
- Reconcile daily receipts;
- Distribute supporting documentation program.

Accounting Generalist I/II (\$41,184 annually) duties would include:

- Supervise and review the work of Accounting Clerks who are processing the fees.

Each application and license would have a fee transaction.

ASSUMPTION (continued)

Transaction	FY 2018	FY 2019	FY 2020
Patient Initial Applications	58,404	58,403	11,681
Patient Renewal Applications	0	52,564	105,126
Caregiver Initial Applications	25,504	25,504	5,101
Caregiver Renewal Applications	0	22,954	45,907
Cultivation Initial Applications	5,840	5,840	1,168
Cultivation Renewal Applications	0	5,256	10,512
Cultivation Facility Applications	38	38	0
Cultivation Facility Annual License Fees	10	76	76
Dispensing Facility Applications	210	211	0
Dispensing Facility Annual Licenses	53	421	421
Manufacturing Facility Applications	87	88	0
Manufacturing Facility Annual Licenses	22	175	175
Total Applications and Fees Received	90,168	171,530	180,167
Accounting Clerk	3.00	5.75	6.00
Accounting Generalist I/II		1.00	1.00

The **DHSS, Office of General Counsel** assumes one FTE Legal Counsel (\$50,000 annually) would be needed to assist in drafting emergency and proposed regulations and forms; perform legal research and provide day-to-day legal counsel to the program; and represent the department in appeals of licensure and identification card denials. The Legal Counsel will be hired effective January 1, 2018 as DHSS will begin collecting application fees in January 1, 2018.

Oversight notes the DHSS used a lease cost for the additional rental space needed for 95 new FTE of \$21 per square foot. This is an average of the lease rates for the various regions in the state. Oversight reduced the average cost to \$17.50 per square foot (which includes utilities and janitorial services), the amount provided by OA, Facilities Management, Design and Construction.

Oversight notes section 579.255.1(1) allows the DHSS to create a range of administrative penalties related to the implementation and enforcement of rules related to the use of marijuana for medicinal purposes. DHSS stated the penalty fee amounts and the frequency of the penalties issued are unknown at this time. For fiscal note purposes, Oversight is not including unknown penalty income.

ASSUMPTION (continued)

Information Technology Service Costs

DHSS provided the following response from the **Office of Administration, Information Technology Services Division (ITSD)**:

Application Storage Costs

In order to manage the final storage of paper applications submitted, Content Manager for electronic scanning and storage will be utilized. The costs for Content Manager are estimated at \$132 per month for the state data server costs, \$234 for an annual license for each user who needs to view files and \$828 for an annual license for each position with ability to scan/import documents.

Information Systems Development

ITSD is estimating a 12 month project duration with a project team consisting of 4 IT Consultants. Applications will be received as paper submissions to the department. System will print licenses and identification cards for physical delivery to the applicant. The system will be hosted in the State Data Center (SDC) on existing virtual servers. Disk space has been estimated at 50 GB for Development and Test with 150 GB estimated for Production. While ITSD has estimated for a system build, it is possible commercial off-the-shelf (COTS) solutions are available at a similar cost.

ITSD estimates costs of \$475,305 for FY18; costs of \$207,476 for FY19; and costs of \$127,590 for FY20.

In summary, the DHSS estimates the fiscal impact of this proposal on the Missouri Veterans' Health and Care Fund to be a cost of \$743,154 for FY18. Fees and expenses result in a positive impact to the fund of \$6,887,049 for FY19 and \$6,159,822 for FY20.

Officials from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** state additional space in leased facilities for new staff for agencies in the Cole County area is estimated at 230 sq. ft. per FTE times \$17.50 per sq. ft., or \$4,025 annually per FTE. This cost includes building lease costs, fuel and utilities, and janitorial services. If a larger space were needed, the space was needed in other regions of the state, or newly constructed space if required, the estimated costs would be higher cost per sq. ft. (estimated at \$24.50 per sq. ft.).

Officials from the **OA, Division of Budget & Planning (B&P)** provide the following information:

This proposal establishes legal access to the cultivation, use, and sale of medical marijuana.

ASSUMPTION (continued)

Section 579.255 allows the Department of Health and Senior Services (DHSS) to grant or refuse state licenses for the cultivation, manufacture, distribution, and sale of marijuana for medical use. This authority includes the creation and imposition of administrative penalties; however, no actual amounts are given.

(For fiscal note purposes, **Oversight** is not including unknown administrative penalties.)

The bill establishes facility license fees for medical marijuana cultivation facilities, medical marijuana dispensary facilities, and medical marijuana-infused products manufacturing facilities. Table 1 outlines the fees and renewal periods by facility license type.

Table 1: Facility License and Annual Fees				
Section	Facility License Type	License Fee*	Annual Fee*	Renewal Period
579.255.7	Medical Marijuana Cultivation Facilities	\$3,000	\$20,000	Every 3 years
579.255.8	Medical Marijuana Dispensary Facilities	\$3,000	\$10,000	Every 3 years
579.255.9	Medical Marijuana-Infused Products Manufacturing Facilities	\$3,000	\$10,000	Every 3 years

**License fees and annual fees shall be adjusted each year in accordance with the Consumer Price Index as published by the U.S. Department of Labor.*

Section 579.255.10 allows qualifying patients, or his or her primary caregiver, to obtain an identification card allowing for personal cultivation of up to six flowering marijuana plants. Section 579.255.17 and Section 579.255.18 establish identification cards for qualifying patients of medical marijuana and primary caregivers. Table 2 outlines the fees and renewal periods for the different identification cards.

Table 2: Identification Fees			
Section	Identification Type	Fee*	Renewal Period
579.255.10	Personal Cultivation I.D. Card	\$100	annually
579.255.17	Qualifying Patient - Identification card	\$25	annually
579.255.18	Primary Caregiver - Identification card	\$25	annually

**License fees and annual fees shall be adjusted each year in accordance with the Consumer Price Index as published by the U.S. Department of Labor.*

Section 579.255.12 allows DHSS to establish an administrative penalty for qualifying patients in possession of more than the legal limit and up to twice the legal limit of medical marijuana; however, the amount of the penalty is not specified. This possession limit shall be established by DHSS.

(For fiscal note purposes, **Oversight** is not including unknown administrative penalties.)

ASSUMPTION (continued)

Section 579.255.13 states that DHSS may restrict the number of licenses for medical marijuana cultivation facilities; however, the number may not be limited to less than one license per eighty thousand inhabitants of Missouri. Section 579.255.14 states that DHSS may restrict the number of licenses for marijuana-infused products manufacturing facilities; however, the number may not be limited to less than one license per fifty thousand inhabitants of Missouri. Section 579.270.5 allows counties to limit dispensary facilities to one permit per thirty thousand inhabitants of that county. Table 3 outlines the facility count limits and estimates what the facility counts would be based on 2010 U.S. Census data should these limits be implemented.

Section	Facility Type	Limit	Facility Count
579.255.13	Cultivation Facilities	1 per 80,000	75
579.255.14	Marijuana-Infused Products Manufacturing Facilities	1 per 50,000	120
579.270.5	Medical Marijuana Dispensaries	1 per 30,000	237

Section 579.260.1 creates a 4% sales tax on the retail sale of marijuana for medical use sold at medical dispensary facilities within the state. Revenues from this tax shall be paid to the Department of Revenue (DOR). DOR may retain up to 5 percent for collection costs. The remainder shall be deposited in the Missouri Veterans' Health and Care Fund.

Section 579.260.2 creates the Missouri Veterans' Health and Care Fund in the state treasury which will consist of taxes and fees collected under Sections 579.250 to 579.270. This fund shall be a dedicated fund and shall stand appropriated without further legislative action. DHSS shall be appropriated an amount necessary to carry out this section. The remainder shall be transferred to the Missouri Veterans Commission for health and care services for military veterans.

Section 579.270.7 creates packaging requirements for medical marijuana-infused products and allows DHSS to charge an administrative penalty for violations; however, no amount is specified. Section 579.270.10 creates an administrative penalty for extracting resins from marijuana using dangerous materials or combustible gasses without a medical marijuana-infused products manufacturing facility license; however, no amount is specified.

(For fiscal note purposes, **Oversight** is not including unknown administrative penalties.)

Using data from Arizona, which has a similar medical marijuana law, B&P estimates that up to 65,547 patients and caregivers could utilize this bill. Of these, up to 2,000 may gain approval for personal cultivation. B&P estimates that annual fees for patients, caregivers, and personal cultivation could increase Total State Revenue (TSR) by approximately \$1.4M annually once fully implemented. This calculation assumes patient growth is similar to that seen with the Arizona medical marijuana program and 2% inflation.

ASSUMPTION (continued)

In addition, provisions within the bill allow DHSS to limit marijuana cultivation facilities to 75 and marijuana-infused products manufacturing facilities to 120 across the state. The bill also allows counties to limit dispensaries; assuming every county establishes the allowable limits, there would be 237 dispensaries within the state. Assuming all businesses apply for and must renew licenses during the same year, annual fees could increase TSR by \$5.2M annually once fully implemented. These amounts assume a 1.2% turnover rate in facility licenses and 2% inflation. Also, the bill does not specify whether these facilities would pay the annual fee and a license renewal fee every three years. Therefore, B&P assumes that both would need to be paid in the third year of a license. Table 4 outlines the estimated revenues from the license and annual fees.

Table 4: License and Annual Fees by Patient and Facility Type			
Patient and Facility Type	Revenue Generated by License Fees		
	FY 2018	FY 2019	FY 2020*
Patients and Caregivers**	\$ 523,000	\$ 1,046,000	\$ 1,186,000
Personal Cultivation**	\$ 100,000	\$ 200,000	\$ 204,000
Cultivation Facilities^	\$ 225,000	\$ 225,000	\$ 1,530,000
Infused Product Manufacturer^	\$ 360,000	\$ 360,000	\$ 1,226,000
Dispensary^	\$ 711,000	\$ 711,000	\$ 2,421,000
Total	\$ 1,919,000	\$ 2,542,000	\$ 6,567,000

*Assumes 2% inflation

**Assumes growth similar to that seen in the medical marijuana program in Arizona

^ Assumes a 1.2% turnover rate in facility licenses

Oversight notes the DHSS assumed there would be significantly higher application and licensing fee revenues than those estimated by the B&P. Therefore, Oversight will range licensing revenues between the amounts estimated by B&P and the amounts estimated by DHSS.

The bill also requires a 4.0 percent sales tax to be applied to all sales of marijuana products, in addition to current state and local sales tax. Based on sales data from Arizona during 2014 of \$110M and 2015 of approximately \$155.7M, B&P calculates that this provision could increase TSR by \$12.8M and GR by \$4.7M once fully implemented. Since the passage of Constitutional Amendment 4, in November 2016, it is unclear whether the taxes on medical marijuana would constitute a new tax. For the purposes of this fiscal note B&P will assume that all sales taxes will be applied to the purchase of medical marijuana. Table 5 outlines the estimated revenues from each tax and where revenues will be directed.

ASSUMPTION (continued)

Table 5: Sales Tax Revenues			
Sales Tax Fund	Revenue Generated by Sales Tax		
	FY 2018	FY 2019*	FY 2020*
Missouri Veterans' Health and Care Fund	\$ 367,000	\$ 4,400,000	\$ 6,229,000
General Revenue	\$ 275,000	\$ 3,300,000	\$ 4,672,000
Education	\$ 92,000	\$ 1,100,000	\$ 1,557,000
Parks, Soil, and Water	\$ 9,000	\$ 110,000	\$ 156,000
Conservation	\$ 11,000	\$ 138,000	\$ 195,000
		\$	
Total	\$ 754,000	9,048,000	\$ 12,809,000

**Based on sales data from Arizona during 2014 and 2015*

In FY18, B&P estimates that all provisions in this bill could increase TSR by \$2.7M (including an increase in GR of \$300,000). Once fully implemented (FY20), TSR could increase by \$19.5M (including an increase in GR of \$4.7M). Beginning in FY21, and every three years thereafter, TSR could increase by \$21.9M (including GR of \$4.7M) due to the timing of license renewals. This proposal will impact the calculation under Article X, Section 18(e).

§579.255 - Penalties

Officials from the **Department of Corrections (DOC)** provide the following statement of fiscal impact:

SB 56 proposes to legalize and provide regulations to cultivation, manufacturing, distribution, and consumption of cannabis for medicinal purposes along with providing legal protection to patients, physicians, and workers in the medical marijuana industry. This legislation will add five new sections to Chapter 579 of the RSMo: 579.250, 579.255, 579.260, 579.265, and 579.270, RSMo.

As of November 2016, twenty-eight states and the District of Columbia have approved medical marijuana usage. As many of these states have relatively recently allowed for legal medical marijuana possession and use, there is limited information on the impacts within the criminal justice system. Results of studies at this time show conflicting results on the criminal impacts of current MMLs (Medical Marijuana Laws). However, with the increased licensing and regulation there are also increased possibilities of secondary crimes through false physician recommendations, non-compliance in registration, illegal possession, vehicular infractions or injury, and theft. While many of these violations may carry only municipal or licensing level penalties, some would ultimately fall under felony charges.

ASSUMPTION (continued)

It is estimated that a MML will result in an increase in violations of possession and production/distribution of controlled substances (195.202 and 195.211, RSMo): three new class C felonies (one to incarceration and two admitted to probation) and one additional class B felony. Analysis of FY16 data shows a class C felony for possession of a controlled substance (charge code 32450) on average serves 2.3 years in prison (including return to prison for parole revocation) and 2.1 years on parole; those assigned to probation receive a 3-year sentence. A class B felony for distribution and production (charge code 32465) on average serves 4.6 years in prison (including return to prison for parole revocation) and 3.4 years on parole.

The full impact of SB 56 occurs in FY25 with an additional 6.9 offenders incarcerated and 11.5 offenders on supervision. DOC assumes this legislation will result in long term costs as shown below (includes 2% inflation):

FY18 (10 months)	\$13,865
FY19	\$33,942
FY20	\$49,126
FY21	\$58,937
FY22	\$66,002
FY23	\$69,788
FY24	\$73,700
FY25	\$77,740
FY26	\$79,295
FY27	\$80,881

Oversight assumes the DOC can absorb the minimal costs that may be incurred in FY18.

Section 579.260 - Tax on medical marijuana sales

Officials from the **Department of Revenue (DOR), Division of Taxation** provide the following assumptions:

The legislation levies a four percent tax (4%) on the retail sale of medical marijuana by Medical Marijuana Dispensary Facilities. The DOR may retain up to five percent for the cost of collection. The petition creates the Missouri Veterans' Health and Care Fund. The Commissioner of Administration may make cash operating transfers to the fund to meet cash requirements in advance of receiving revenues. The tax levied by this section is separate and in addition to any general state and local sales tax that applies to retail sales.

ASSUMPTION (continued)

Administrative Impact:

Collections & Tax Assistance:

This section will see additional registrations, registration phone calls, business tax account update requests, and delinquent phone contacts from the additional businesses registering to collect sales tax on medical marijuana. Collections and Tax Assistance requires two (2) Revenue Processing Technicians I (\$27,185 annually, each) per 24,000 additional contacts to the registration section and 15,000 contacts annually on the delinquent tax line. Each technician requires CARES equipment.

Business Tax Processing:

Although the legislation bases the four percent tax on the retail selling price, it is separate from sales and use tax. This tax needs to be reported and deposited separately from sales and use tax. This would require new reporting forms and a new program to track and distribute receipts. The estimated costs for development and on-going maintenance of this system is \$150,012 for FY 18; \$30,752 for FY 19; and \$31,5121 for FY 20.

The DOR estimates the total costs for this proposal to the General Revenue Fund to be \$242,855 for FY 18; \$124,921 for FY 19; and \$126,460 for FY 20.

Oversight assumes current DOR staff can absorb the additional workload resulting from this proposal as the number of medical marijuana dispensaries is estimated at less than 250. If, the number of contacts to the registration section and to the delinquent tax line reach the numbers which, by DOR workload measures, require additional personnel, the department will seek additional funding through the appropriations process.

Oversight notes provisions in section 579.260.2 create the Missouri Veterans' Health and Care Fund which shall consist of taxes and fees collected under sections 579.250 to 579.270. Funds shall not revert to the credit of the general revenue fund. The fund shall be a dedicated fund and shall stand appropriated without further legislative action as follows:

- (1) First, the department (DHSS), an amount necessary for it to carry out this section, including repayment of any cash operating transfers, payments made through contract or agreement, and a reserve fund to maintain a reasonable working cash balance, and
- (2) The remainder of such funds to be transferred to the Missouri Veterans Commission for health and care services for military veterans.

It is unknown at this time how much DHSS would require to maintain a reasonable working cash balance. **Oversight** assumes transfers to the Missouri Veterans Commission would equal expenses for services provided to veterans and the net impact to the Commission would be \$0. Due to the uncertainty of when and what amounts might be transferred, Oversight will not, for fiscal note purposes, present these unknown transfers to the Missouri Veterans Commission.

ASSUMPTION (continued)

Bill as a whole

Officials from the **St. Louis County Police Department (St. Louis Co. PD)** state they estimate they would need at least four (4) additional officers to investigate the diversion of legal medical marijuana to illegal/recreational use. In addition, it is expected that the number of impaired drivers will increase. It is much more difficult to determine whether a person is impaired by marijuana and at what level. There is currently no breath test available and blood testing takes much more of the officer's time. Officer training to recognize and act on marijuana impairment will be necessary and costly. The St. Louis Co. PD currently has 890 commissioned officers. It is estimated that it would take approximately \$250 to develop the training course and 45 classes to train all of the officers; officers make \$30 per hour and 20 officers would attend each course. Therefore, training costs are estimated to be \$27,250 annually [$\$250 + (45 \text{ classes} \times 20 \text{ attendees/class} \times \$30 \text{ officer pay/hour}) = \$27,250$].

It is estimated the cost to the St. Louis Co. PD for this proposed legislation would be approximately \$311,820 annually for four additional police officers (average salary + benefits = \$77,955/officer X 4), excluding additional training costs.

Therefore, the St. Louis Co. PD estimates the annual fiscal impact of this proposal on their organization to be \$339,070 (\$250 course development + \$27,000 officer training + \$311,820 additional police officer salary & fringe benefits).

Officials from the **Office of Attorney General (AGO)** state this proposal authorizes the Department of Health and Senior Services (DHSS) to issue, deny, and discipline licenses for the cultivation, manufacture, dispensing, sale, testing, tracking, and transportation of marijuana for medical use. It requires the DHSS to promulgate rules necessary for the implementation and enforcement of the proposal, develop forms and issue standards in addition to licensure and certification of facilities. Licensure actions are subject to Administrative Hearing Commission appeal and judicial review. The AGO assumes it would need two (2) Assistant Attorney Generals I to provide legal representation regarding issuance, denial, and discipline of licenses and promulgation of and challenges to administrative rules.

The AGO estimates costs to the General Revenue Fund of \$144,311 for FY 18; \$156,515 for FY 19 and \$158,164 for FY 20.

Officials from the **Department of Public Safety (DPS), Missouri State Highway Patrol (MHP)** provide that in section 579.255.2(8) it states that the development of individual identification cards for owners, officers, managers, contractors, employees, and other support

ASSUMPTION (continued)

staff of entities licensed under sections 579.250 to 579.270, including a fingerprint-based federal and state criminal record check in accordance with U.S. Public Law 92-544, or its successor provisions, may be required by the department prior to issuing a card and procedures to ensure that cards for new applicants are issued within fourteen days.

The Criminal Justice Information Services (CJIS) Division of the Oregon State Police processed approximately 1,500 fingerprint-based criminal record checks for the Oregon Health Authority associated with medical marijuana. Based on Oregon's figures, the CJIS Division estimates the following fiscal impact:

The cost for a fingerprint-based criminal record check, to include state and federal open and closed records, is \$40.30. Twenty dollars is for the state fingerprint check, \$12 is for the federal check, and \$8.30 is the statewide applicant fingerprinting contractor fee ($\$20 + \$12 + 8.30 = \$40.30$). Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$12 for a pass-thru fee (\$22 total). The \$8.30 charge is paid directly to the vendor at the time of application.

Estimated Revenue FY18 and beyond 1,500 x \$32 (\$20 state + \$12 federal background check)	\$48,000
Less: Estimated Expense FY18 and beyond 1,500 x \$10 (\$10 federal background check charge)	<u>(\$15,000)</u>
Total Revenue to the Criminal Records Fund	<u>\$33,000</u>

It should be noted that Oregon's population is approximately 20 percent less than the state of Missouri; therefore, the actual fiscal impact may be slightly higher than the estimate.

Officials from the **Office of State Public Defender (SPD)** state this proposed legislation would allow the medical use of marijuana. This could have some impact on the SPD System. In FY 2013 the SPD provided representation in an estimated 3,315 marijuana cases. If a percentage of these cases were for the proposed appropriate medical use, this number could/would be reduced. It is not possible to estimate the number of cases that would have been for a "legal" use.

The SPD System is currently providing legal representation for caseloads significantly exceeding recognized standards. Therefore, despite the positive impact on the workload of the SPD the proposed legislation could have, the reduction in the potential caseload would not translate into an actual cost savings.

ASSUMPTION (continued)

Officials from the **City of Kansas City** state the legislation contemplates the inclusion of medical marijuana in the general sales and use taxes collected by cities; therefore, an increase in revenue should be experienced. The amount of the revenue is dependent upon the quantity of lawful sales and is unknown at this time.

Officials from the **DPS, Missouri Veterans Commission** defer to the Department of Revenue, Division of Taxation for the fiscal impact of this proposal on the Veterans Commission.

Officials from the **Office of Administration (OA), Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if similar bills pass resulting in more cases, there could be a fiscal impact.

Officials from the **University of Missouri (MU), Economic & Policy Analysis Research Center (EPARC)** state if enacted, this bill would allow marijuana to be produced, distributed, and consumed for medicinal purposes in the State of Missouri.

EPARC is unable to predict the pace and extent a medicinal marijuana market would develop and grow in the State of Missouri within the next several fiscal years if this bill were enacted. Therefore, EPARC is unable to estimate the amount of new tax collections this bill would impose.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

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 **Missouri Office of Prosecution Services (MOPS)** assume the proposal will have no measurable fiscal impact on MOPS.

Officials from the **Department of Agriculture, the Department of Insurance, Financial Institutions and Professional Registration, the Office of Administration, Division of Accounting, the Office of State Courts Administrator, the Office of State Treasurer, St. Louis County** and the **Springfield Police Department** each assume the proposal would not fiscally impact their respective agencies.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Dekalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **law enforcement agencies**: the Ashland Police Chief, Boone County Sheriff's Department, Buchanan County Sheriff's Department, Cass County Sheriff's Office, Clark County Sheriff's Department, Cole County Sheriff's Department, Columbia Police Department, Eureka, Independence Police Department, Jackson County Sheriff's Department, Jefferson City Police Department, Jefferson County 911 Dispatch, Platte County Sheriff's Department, St. Charles Police Department, St. Joseph Police Department, St. Louis County Police Department and the St. Louis Metropolitan Police Department did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Income - Increase in general sales tax</u> (§579.260)	Could exceed \$275,000	Could exceed \$3,300,000	Could exceed \$4,672,000
<u>Transfer-in - from Missouri Veterans' Health and Care Fund</u> (§579.260) Reimbursement for DOR administrative costs (up to 5% of medical marijuana sales taxes received)	Could exceed \$18,350	Could exceed \$220,000	Could exceed \$311,450
<u>Total Income and Transfers-in</u>	<u>Could exceed</u> <u>\$293,350</u>	<u>Could exceed</u> <u>\$3,520,000</u>	<u>Could exceed</u> <u>\$4,983,450</u>
<u>Costs - AGO (§§579.250 - 579.270)</u>			
Personal service	(\$74,067)	(\$89,769)	(\$90,666)
Fringe benefits	(\$39,237)	(\$47,349)	(\$47,616)
Equipment and expense	<u>(\$31,007)</u>	<u>(\$19,397)</u>	<u>(\$19,882)</u>
<u>Total Costs - AGO</u>	<u>(\$144,311)</u>	<u>(\$156,515)</u>	<u>(\$158,164)</u>
FTE Change - AGO	2 FTE	2 FTE	2 FTE
<u>Costs - DOR (§579.250)</u>			
ITSD contract and on-going system support and maintenance	(\$150,012)	(\$30,752)	(\$31,521)
<u>Costs - DOC (§579.255)</u>			
Increase in incarceration and parole expenditures	\$0	(\$33,942)	(\$49,126)
<u>Costs - DOR (579.260)</u>			
Administrative expenses related to collection of medical marijuana sales tax	<u>(Could exceed</u> <u>\$18,350)</u>	<u>(Could exceed</u> <u>\$220,000)</u>	<u>(Could exceed</u> <u>\$311,450)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$19,323) to</u> <u>Unknown</u>	<u>Could exceed</u> <u>\$3,078,791</u>	<u>Could exceed</u> <u>\$4,433,189</u>
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
MISSOURI VETERANS' HEALTH AND CARE FUND			
<u>Income - Medical marijuana sales tax</u> (§579.260)	Could exceed \$367,000	Could exceed \$4,400,000	Could exceed \$6,229,000
<u>Income - DHSS (§579.255)</u>			
Patient/caregiver applications & fees (579.255.17 & .18)	\$523,000 to \$2,097,700	\$1,046,000 to \$3,985,625	\$1,186,000 to \$4,195,375
Patient/caregiver cultivation identification cards & fees (579.255.10)	\$100,000 to \$584,040	\$200,000 to \$1,109,600	\$204,000 to \$1,168,000
Cultivation facility applications & license fees (579.255.7)	\$225,000 to \$314,000	\$225,000 to \$1,634,000	\$1,520,000 to \$1,530,000
Dispensing facility applications & fees (579.255.8)	\$711,000 to \$1,160,000	\$711,000 to \$4,843,000	\$2,421,000 to \$4,210,000
Medical marijuana-infused products Manufacturer facility applications & fees (579.255.9)	<u>\$360,000 to</u> <u>\$481,000</u>	<u>\$360,000 to</u> <u>\$2,014,000</u>	<u>\$1,226,000 to</u> <u>\$1,750,000</u>
<u>Total All Application & License Fees</u>	<u>\$1,919,000 to</u> <u>\$4,636,740</u>	<u>\$2,542,000 to</u> <u>\$13,586,225</u>	<u>\$6,557,000 to</u> <u>\$12,853,375</u>
 <u>Total All Income</u>	 \$2,286,000 to Could exceed \$5,003,740	 \$6,942,000 to Could exceed \$17,986,225	 \$12,786,000 to Could exceed \$19,082,375
 <u>Costs - DHSS (§§579.250- 579.270)</u>			
Personal service	(\$1,975,777)	(\$3,081,650)	(\$3,119,184)
Fringe benefits	(\$1,110,916)	(\$1,894,398)	(\$1,908,153)
Equipment and expense	(\$1,723,174)	(\$1,358,877)	(\$1,367,932)
ITSD expenditures	(\$475,305)	(\$207,476)	(\$127,590)
<u>Total Costs - DHSS</u>	<u>(\$5,285,172)</u>	<u>(\$6,542,401)</u>	<u>(\$6,522,859)</u>
FTE Change - DHSS	61 FTE	95 FTE	95 FTE
 <u>Transfer-out - to General Revenue Fund</u> (§579.260)			
DOR administrative expenses for medical marijuana program	<u>(Could exceed</u> <u>\$18,350)</u>	<u>(Could exceed</u> <u>\$220,000)</u>	<u>(Could exceed</u> <u>\$311,450)</u>
 ESTIMATED NET EFFECT ON THE MISSOURI VETERANS' HEALTH AND CARE FUND	 <u>(\$3,017,522) to</u> <u>(Less than</u> <u>\$299,782)</u>	 <u>\$179,599 to</u> <u>Could exceed</u> <u>\$11,223,824</u>	 <u>\$5,951,691 to</u> <u>Could exceed</u> <u>\$12,248,066</u>
 Estimated Net FTE Change on the Missouri Veterans' Health and Care Fund	 61 FTE	 95 FTE	 95 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
CRIMINAL RECORDS FUND			
<u>Income - DPS (§579.255)</u>			
Increase in background check fees	\$40,000	\$48,000	\$48,000
<u>Expenses - DPS (§579.255)</u>			
Federal background check fee	<u>(\$12,500)</u>	<u>(\$15,000)</u>	<u>(\$15,000)</u>
ESTIMATED NET EFFECT ON THE CRIMINAL RECORDS FUND	<u>\$27,500</u>	<u>\$33,000</u>	<u>\$33,000</u>
SCHOOL DISTRICT TRUST FUND			
<u>Income - Increase in general sales taxes (§579.260)</u>	<u>Could exceed \$92,000</u>	<u>Could exceed \$1,100,000</u>	<u>Could exceed \$1,557,000</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>Could exceed \$92,000</u>	<u>Could exceed \$1,100,000</u>	<u>Could exceed \$1,557,000</u>
PARKS & SOIL AND WATER FUNDS			
<u>Income - Increase in general sales taxes (§579.260)</u>	<u>Could exceed \$9,000</u>	<u>Could exceed \$110,000</u>	<u>Could exceed \$156,000</u>
ESTIMATED NET EFFECT ON THE PARKS & SOIL AND WATER FUNDS	<u>Could exceed \$9,000</u>	<u>Could exceed \$110,000</u>	<u>Could exceed \$156,000</u>
CONSERVATION COMMISSION FUND			
<u>Income - Increase in general sales taxes (§579.260)</u>	<u>Could exceed \$11,000</u>	<u>Could exceed \$138,000</u>	<u>Could exceed \$195,000</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>Could exceed \$11,000</u>	<u>Could exceed \$138,000</u>	<u>Could exceed \$195,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL GOVERNMENTS - ALL POLITICAL SUBDIVISIONS			
<u>Income</u> - All Political Subdivisions (\$579.260)			
Increase in sales and use taxes collected	Could exceed \$300,000	Could exceed \$4,000,000	Could exceed \$5,700,000
<u>Costs</u> - Local law enforcement			
Increase in additional officer salaries, fringe benefits, training and equipment and expense	(Expected to <u>exceed</u> \$282,558)	(Expected to <u>exceed</u> \$311,820)	(Expected to <u>exceed</u> \$311,820)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - ALL POLITICAL SUBDIVISIONS	<u>Less than</u> <u>\$17,442</u>	<u>Less than</u> <u>\$3,688,180</u>	<u>Less than</u> <u>\$5,388,180</u>

FISCAL IMPACT - Small Business

The proposal may have an unknown impact on small businesses that serve as cultivators, manufacturers, or dispensary facilities.

FISCAL DESCRIPTION

This proposal allows the Department of Health and Senior Services to grant licenses for the cultivation, manufacture, distribution, and sale of marijuana for medical use.

This proposal defines the responsibilities of the department in licensing businesses and facilities and certifying patients and allows the department to charge fees, limit the number of licenses issued, and the quantities of marijuana that may be possessed.

The retail sale of medical marijuana would be subject to a four percent tax. The proceeds of the tax and fees collected under the marijuana program would be deposited in the Missouri Veterans' Health and Care Fund, which is created by this bill. The fund is to be used to pay the expenses of the department in administering the marijuana program. Any excess proceeds are to be transferred to the Missouri Veterans Commission for health and care services for military veterans.

This proposal prohibits the imposition of certain penalties against patients, laboratories, caregivers, attorneys, health care providers, including physicians, and other entities for participating in the medical marijuana program.

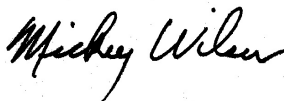
FISCAL DESCRIPTION (continued)

This proposal specifies that criminal and civil penalties regarding certain unauthorized uses of marijuana would continue to apply even if the resolution was enacted.

This legislation is not federally mandated, would not duplicate any other program but would require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Department of Agriculture
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Corrections
Department of Revenue
Department of Public Safety -
 Missouri State Highway Patrol
 Missouri Veterans' Commission
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services
Office of Administration -
 Administrative Hearing Commission
 Division of Accounting
 Division of Budget & Planning
 Facilities Management, Design and Construction
Office of State Courts Administrator
Office of Secretary of State
Office of State Public Defender
Office of State Treasurer
University of Missouri -
 Economic & Policy Analysis Research Center
City of Kansas City
St. Louis County
Springfield Police Department



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Mickey Wilson, CPA
Director
April 26, 2017

Ross Strope
Assistant Director
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