

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2384-01  
Bill No.: SB 482  
Subject: Agriculture; Department of Agriculture; Business and Commerce; Drugs and Controlled Substances; Higher Education; Food  
Type: Original  
Date: March 28, 2019

Bill Summary: This proposal modifies provisions relating to industrial hemp.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Industrial Hemp Fund (0476)*	\$0 or \$610,668	\$0 or \$632,172	\$0 or \$630,469
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0 or \$610,668</b>	<b>\$0 or \$632,172</b>	<b>\$0 or \$630,469</b>

\*Revenue and costs net to zero.

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Industrial Hemp Fund (0476)	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Agriculture (AGR)** assume this proposal will increase annual Total State Revenue (TSR) related to industrial hemp by \$798,333 (from \$201,667 to \$1,000,000) by the various types.

Type of revenue	Current Estimate	Estimate with SB 482	Difference
Annualized application fees	\$ 8,000	\$ 16,667	\$ 8,667
Annualized producer fees	\$ 25,000	\$ 83,333	\$ 58,333
Annualized handler fees	\$ 4,167	\$ 0	\$ (4,167)
Annual handler processing fees	\$ 67,500	\$ 0	\$ (67,500)
Annualized seed permit fees	\$ 7,000	\$ 0	\$ (7,000)
Annual Acreage fees	\$ 90,000	\$ 900,000	\$ 810,000
Totals	\$ 201,667	\$ 1,000,000	\$ 798,333

AGR assumes this proposal will remove the minimum and maximum acreage requirements for Industrial Hemp. The proposal will increase the number and diversity of producer and handler operations in the state. The department assumes increases in the following areas compared to the FY 2020 Governor's recommended New Decision Item to implement HB 2034 (2018):

- "applications" will increase from 240 to 500;
- "producers" will decrease from 25 to 0;
- "ag hemp seed permits" will decrease from 42 to 0;
- "acres" will increase from 2,000 to 20,000;
- "inspections" will increase from 217 to 500;
- "FTEs" will increase from 2 to 4 (add 2 Program Coordinators);
- "personal service" plus "fringe" will increase from \$171,305 to \$286,431; and
- "E&E" will increase from \$32,068 in first year to \$92,554. Subsequent years will be \$12,600.

ASSUMPTION (continued)

The number of licensed entities (producers, handlers, and ag hemp seed permittees) will increase from 217 to 500. AGR assumes the need for two (2) additional FTE Program Coordinators for: outreach to a larger and more diversified set of industrial hemp growers; year-round inspections of indoor growing facilities; inspections of the increased number of outdoor growers; continuous application reviews; and continuous improvement of processes used to manage a dynamic industry.

All fees used in this fiscal note are based on the rates found in the currently proposed rule for the Industrial Hemp Pilot Program authorized by HB 2034 in 2018. The proposed rule and fee rates are likely to change if subsequent legislation (such as this bill) is enacted.

The following chart shows the fee rates used in both the HB 2034 (2018) proposed rule and this fiscal note estimate for SB 482.

Fee Type	When Collected	Fee	Gov's Rec NDI Estimate (HB 2034)	New Estimate (SB 482)	Increase	Subtotal Increase	Total New	Total Gov's Rec NDI (HB 2034)	Total Increase (SB 482)
Applications	Once every 3 years	\$100	240	500	260	\$26,000	\$16,667	\$8,000	\$8,667
Producers	Once every 3 years	\$500	150	500	350	\$175,000	\$83,333	\$25,000	\$58,333
Handlers	Once every 3 years	\$500	25	125	100	\$50,000	\$0	\$4,167	(\$4,167)
Handler Processing	Annually	\$2,700	25	125	100	\$270,000	\$0	\$67,500	(\$67,500)
Seed Permit	Once every 3 years	\$500	42	156	114	\$57,000	\$0	\$7,000	(\$7,000)
Acres	Annually	\$45	2,000	20,000	18,000	\$810,000	\$900,000	\$90,000	\$810,000
<b>Total</b>							<b>\$1,000,000</b>	<b>\$201,667</b>	<b>\$798,333</b>

Source: Department of Agriculture

ASSUMPTION (continued)

**AGR** noted in response to HB 2034 (2018), AGR made the assumption that they would need to purchase \$600,000 of equipment needed for pesticide analysis and the anticipated fee structure used on the fiscal note for HB 2034 (2018) included covering this expense. AGR noted that upon further review, the implementation strategy was revised to lower the fees paid by program participants.

1. AGR decided to require growers to pay the costs of gathering and submitting samples to private labs for analysis instead of AGR to perform the testing;
2. The revised strategy eliminated the need for additional laboratory staff and equipment - including the \$600,000 pesticide testing equipment included in the HB 2034 TAFP fiscal note; and
3. The fiscal impact statement for this bill does not include any impact to the Department of Public Safety - Missouri Highway Patrol.

AGR's department request for the FY 2020 budget year regarding the Industrial Hemp proposal was for \$347,338 (5 FTE). The Governor's Recommendation was for \$119,200 (2 FTE). All from the Industrial Hemp Fund.

**AGR** notes the proposed fees listed above might be likely to change again due to any legislation impacting the program as the rules have not been approved yet. The original proposal, HB 2034 (2018), was intended to be revenue neutral, meaning the estimated fees charged were calculated to cover the estimated program expenses of \$1,006,100. Any new rules proposed could also be adjusted to reflect program costs; therefore, **Oversight** will range the fiscal impact as revenue neutral (net impact \$0, proposed fees updated so that additional participants in the program would still result in revenue equaling costs to the Industrial Hemp Fund) to the increased revenue amounts indicated by AGR (proposed fees do not change even though participation in the program increases substantially).

**AGR** notes the fund number for the Industrial Hemp Fund is 0476.

**Oversight** notes this is a new fund and does not appear on the monthly State Treasurer's fund balance reports as of February 2019 as no revenues have been received.

ASSUMPTION (continued)

Officials from the **Department of Higher Education (DHE)** and **Department of Public Safety - Missouri Highway Patrol (MHP)** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that DHE and MHP have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for DHE and MHP.

Officials from the **University of Missouri** assume the fiscal impact is unable to be determined but is not expected to be significant.

**Oversight** does not have any information to the contrary in regards to the University of Missouri's assumptions; therefore, Oversight will not reflect a fiscal impact to the University of Missouri on the fiscal note. If more information becomes available, Oversight will update the fiscal impact to higher education institutions.

Officials from the **State Technical College of Missouri** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that State Technical College of Missouri has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for the State Technical College of Missouri.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

Officials from the **St. Louis County Police Department** assume the proposal will require an hour of training for all commissioned. The average pay for police officers including fringe benefits is \$46.72 per hour. The Department currently has 930 officers. The total cost for one hour of training is \$43,449.60.

**Oversight** assumes the St. Louis County Police Department can absorb these costs; therefore, Oversight will not reflect a fiscal impact on the fiscal note.

ASSUMPTION (continued)

Officials from the **Springfield Police Department** and **St. Louis County Department of Justice Services** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other law enforcement agencies were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>INDUSTRIAL HEMP FUND</b>			
<u>Revenue</u> - increased fees due to increased number of applicants - ranged from fees changing so that AGR only collects enough to cover additional costs to a new estimate of applicants at currently proposed fee schedule	\$187,565 or \$798,333	\$166,161 or \$798,333	\$167,864 or \$798,333
<u>Cost</u> - AGR			
Personal Services	(\$76,760)	(\$93,033)	(\$93,963)
Fringe Benefits	(\$44,409)	(\$53,571)	(\$53,855)
Equipment and Expense	(\$66,496)	(\$19,557)	(\$20,046)
<u>Total Costs</u> - AGR	<u>(\$187,665)</u>	<u>(\$166,161)</u>	<u>(\$167,864)</u>
Net FTE Change - AGR	2 FTE	2 FTE	2 FTE
<b>ESTIMATED NET EFFECT ON THE INDUSTRIAL HEMP FUND*</b>	<b><u>\$0 or \$610,668</u></b>	<b><u>\$0 or \$632,172</u></b>	<b><u>\$0 or \$630,469</u></b>
*Revenues and cost net to zero			
Estimated Net FTE Change to the Industrial Hemp Fund	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - Local Government

FY 2020  
(10 Mo.)

FY 2021

FY 2022

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses related to the cultivation of hemp could be impacted by this proposal.

FISCAL DESCRIPTION

The act repeals the definitions for "grower" and "handler", modifies existing definitions, and creates several new definitions relating to industrial hemp. The act repeals the Industrial Hemp Agricultural Pilot Program.

Provisions relating to agricultural hemp seed production permits are repealed under the act.

A fingerprint criminal history is no longer required as part of the background check process in order to be registered to produce industrial hemp.

Under the act, the registration to grow industrial hemp may be transferred to a person, rather than a spouse or child, who meets the requirements of a registrant. Each individual parcel of ground or indoor cultivation facility with a separate legal description shall be required to obtain a separate registration unless the parcels are contiguous and owned by the same person of record.

Currently, a civil penalty of not less than \$2,500 may be charged for violating provisions of law relating to industrial hemp. This act changes the minimum civil penalty to not less than \$500 for such violations.

The act repeals provisions requiring any person growing industrial hemp to obtain a valid registration within 30 days.

If a crop contains an average THC concentration exceeding 0.3%, or the maximum concentration allowed under federal law, the Department may retest the crop. If the second test indicates that a crop contains an average THC concentration exceeding 0.3%, or the maximum concentration allowed under federal law, the Department may order a producer to destroy the crop.



FISCAL DESCRIPTION (continued)

The Missouri State Highway Patrol may, at their own expense, perform aerial surveillance to ensure illegal industrial hemp plants are not being cultivated on or near legal, registered industrial hemp plantings.

Currently, the Department of Agriculture shall not issue a permit to a single registrant or permittee for a plot of land that is less than 10 acres or more than 40 acres, or over 2,000 acres statewide among all registrants or permittees. Additionally, the Department shall not issue a permit to an institute of higher education for a plot of land over 20 acres statewide. This act repeals all the acreage limitations from the Industrial Hemp Program.

Finally, provisions allowing the Missouri Crop Improvement Association, in collaboration with the Department, to establish and administer a certification program for agricultural hemp seed in the state are repealed.

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 Agriculture  
Department of Higher Education  
University of Missouri  
State Technical College of Missouri  
Department of Public Safety - Missouri Highway Patrol  
Springfield Police Department  
St. Louis County Police Department  
St. Louis County Department of Justice Services



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