

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0393S.04C
Bill No.: SCS for SB 54
Subject: Drugs and Controlled Substances; Department of Health and Senior Services;
Licenses - Miscellaneous; Business and Commerce
Type: Original
Date: February 26, 2025

Bill Summary: This proposal creates provisions relating to cannabis.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General*	\$843,756	\$1,115,268	\$1,114,840
Total Estimated Net Effect on General Revenue	\$843,756	\$1,115,268	\$1,114,840

*Oversight notes funds from the 2% Tax levy shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Hemp Business Fund*	(\$2,209,321)	(\$2,337,190)	(\$2,389,453)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,209,321)	(\$2,337,190)	(\$2,389,453)

*Collection of licensing fees and DPS-ATC and DHSS FTE costs to administer.
Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Hemp Business Fund	24	24	24
Total Estimated Net Effect on FTE	24	24	24

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0 or (Unknown)** to Unknown*	\$0 or (Unknown)** to Unknown*	\$0 or (Unknown)** to Unknown*

***Oversight** notes the violations of §§ 195.819, 195.2555 and 195.2560 could result in fines or penalties that would go to local school districts. Due to lack of information on individuals or businesses that would violate these provisions, Oversight assumes penalties of under \$250,000 annually.

****Anticipated** increase in driving under the influence of these products, which will result in local law enforcement having to respond to more accidents and arrest more intoxicated drivers.

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner or performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§ 144.028 and § 195.2617– Taxes on hemp-derived consumable products

Officials from the **Department of Revenue (DOR)** state this proposal attempts to distinguish between hemp-derived consumable products and marijuana. The Missouri Constitution says that all hemp that is not “industrial hemp” is considered marijuana for the purposes of regulation and taxation under Article XIV. Since this proposal clearly defines these hemp-derived consumable products as being a compound found in hemp, they would **already** be subject to the regulations and taxation of Article XIV.

Since this proposal also says these products are not made from industrial hemp, which is exempt under Article XIV, then these products would **already** owe the marijuana licensing fees and should be collecting the marijuana excise tax and sales tax since December 8, 2022, when Article XIV was adopted.

DOR notes this proposal attempts to assess an excise tax at a rate of 2% on the retail purchase price of the hemp-derived consumable products in § 144.028. DOR notes that chapter 144 is the state sales and use tax. Sales and use tax is assessed on the purchase price of an item. Therefore, this proposal’s newly created tax would be a sales tax. DOR notes that sales tax is applied to the final purchase price of an item which includes all other taxes including excise taxes.

Since sellers of marijuana products and therefore these hemp-derived consumable products are **already** required to remit an excise tax and a sales tax, this would be an **additional** sales tax that would be assessed after the current excise tax and prior to the state sales tax. This proposal states that this newly created tax would be deposited for the use of funding veteran’s programs, drug abuse prevention and education programs and first responder programs.

DOR notes that some businesses may not have been remitting the required taxes. DOR notes that Missouri makes up 2.05% of the total U.S. market share of all hemp-derived cannabinoids. In 2023, that was \$56,832,841 of the \$2,774,925,672 in U.S. sales.

This newly created sales tax at 2% would generate \$1,136,657 in revenue.

Oversight does not have information to the contrary. Oversight notes the fiscal impact for sales taxes for FY2026 is lesser because FY2026 is a partial year (9 months). Therefore, Oversight

will reflect the estimates as provided by the DOR as \$852,493 in FY 26 and \$1,136,657 in FY 27 and ongoing.

In response to similar legislation from the current session (HCS for HB 593), officials from the **Office of Administration - Budget and Planning** stated § 144.028 imposes a two-percent excise tax upon the retail sale of hemp-derived consumable beverage products and further provides that the revenue shall exclusively be used for funding of veterans' programs, drug abuse prevention and education programs, and first responder programs. It is unknown how many hemp-derived consumable beverage products may be produced and sold; therefore, this provision may increase Total State Revenue by an unknown amount beginning on August 28, 2025.

Oversight does not have information to the contrary. Oversight notes the DOR has provided estimates for these sections. Therefore, Oversight will reflect the estimates as provided by the DOR as impact to GR.

Officials from the **Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (ATC)** state § 144.028 establishes a 2% excise tax on the retail sale of hemp-derived consumable beverage products. It does not specify who is responsible for collecting the excise tax generated from retail sales, but it is assumed that since it is a retail sales tax the Department of Revenue will collect it. Therefore, the division has not estimated the collection of taxes.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections for DPS, ATC.

§ 195.800 – Disclosure of information to the federal government

Officials from the **Department of Corrections (DOC)** state this bill creates § 195.800 including an associated class E felony penalty for the disclosure of any individual information of persons who have applied for or obtained a qualifying patient identification card, a qualifying patient cultivation identification card, or a primary caregiver identification card, as those cards are described in article XIV, section 1 of the Constitution of Missouri relating to the right to access medical marijuana.

As these are new crimes, there is little direct data on which to base an estimate, and as such, the department estimates an impact comparable to the creation of a new class E felony.

For each new nonviolent class E felony, the department estimates one person could be sentenced to prison and two to probation. The average sentence for a nonviolent class E felony offense is 3.4 years, of which 2.1 years could be served in prison with 1.4 years to first release. The remaining 1.3 years could be on parole. Probation sentences could be 3 years.

The cumulative impact on the department is estimated to be 2 additional offenders in prison and 7 additional offenders on field supervision by FY 2028.

Change in prison admissions and probation openings with legislation-Class E Felony (nonviolent)

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	1	1	1	1	1	1	1	1	1	1
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	2	2	2	2	2	2	2	2	2	2
Change (After Legislation - Current Law)										
Admissions	1	1	1	1	1	1	1	1	1	1
Probations	2	2	2	2	2	2	2	2	2	2
Cumulative Populations										
Prison	1	2	2	2	2	2	2	2	2	2
Parole			1	1	1	1	1	1	1	1
Probation	2	4	6	6	6	6	6	6	6	6
Impact										
Prison Population	1	2	2	2	2	2	2	2	2	2
Field Population	2	4	7	7	7	7	7	7	7	7
Population Change	3	6	9	9	9	9	9	9	9	9

	# to prison	Cost per year	Total Costs for prison	Change in probation & parole officers	Total cost for probation and parole	# to probation & parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	1	(\$10,485)	(\$8,737)	0	\$0	2	(\$8,737)
Year 2	2	(\$10,485)	(\$21,389)	0	\$0	4	(\$21,389)
Year 3	2	(\$10,485)	(\$21,817)	0	\$0	7	(\$21,817)
Year 4	2	(\$10,485)	(\$22,254)	0	\$0	7	(\$22,254)
Year 5	2	(\$10,485)	(\$22,699)	0	\$0	7	(\$22,699)
Year 6	2	(\$10,485)	(\$23,153)	0	\$0	7	(\$23,153)
Year 7	2	(\$10,485)	(\$23,616)	0	\$0	7	(\$23,616)
Year 8	2	(\$10,485)	(\$24,088)	0	\$0	7	(\$24,088)
Year 9	2	(\$10,485)	(\$24,570)	0	\$0	7	(\$24,570)
Year 10	2	(\$10,485)	(\$25,061)	0	\$0	7	(\$25,061)

* If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

If the projected impact of legislation is less than 1,500 offenders added to or subtracted from the department's institutional caseload, the marginal cost of incarceration will be utilized. This cost of incarceration is \$28.73 per day or an annual cost of \$10,485 per offender and includes such costs as medical, food, and operational E&E. However, if the projected impact of legislation is 1,500 or more offenders added or removed to the department's institutional caseload, the full cost of incarceration will be used, which includes fixed costs. This cost is \$100.25 per day or an annual cost of \$36,591 per offender and includes personal services, all institutional E&E,

medical and mental health, fringe, and miscellaneous expenses. None of these costs include construction to increase institutional capacity.

DOC's cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOC.

§ 195.819 - Marijuana dispensary records containing the consumer's identifying information

Under this act, no marijuana dispensary selling marijuana, marijuana-infused products, or intoxicating cannabinoids to end user consumers shall create or retain any record containing a consumer's identifying information upon the consumer's written request. This provision shall not apply to any constitutionally mandated record-keeping requirements relating to qualifying patients and primary caregivers. Dispensary facilities that violate the provisions of this act shall be assessed a \$500 fine per occurrence.

Oversight notes that violations of section § 195.819 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines vary widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

§ 195.900 – Intoxicating cannabinoids

Officials from the **Department of Health and Senior Services (DHSS)** state § 195.900 of proposed legislation amends Chapter 195 by placing regulation of all intoxicating cannabinoids under the Department of Health and Senior Services' authority within the framework of Article XIV, explicitly defining intoxicating cannabinoids as marijuana, not industrial hemp, and creating an exception for hemp-derived consumable beverage products. The proposal states that intoxicating cannabinoids will be regulated by the Department in the same manner as it regulates marijuana under Article XIV of the Missouri Constitution.

All or nearly all intoxicating cannabinoids in the unregulated market are produced using chemical conversion of other cannabinoids. Intoxicating cannabinoids produced using such

chemical conversion cannot be created or sold under the Department's Article XIV regulatory framework. Since the Department's Article XIV regulatory framework does not allow the production or use of the intoxicating cannabinoids currently sold in the unregulated market, it is assumed the Department can absorb the costs of this section with current resources.

However, if the workload in ensuring such cannabinoids are not produced or sold significantly increases or other legislation becomes enacted, additional resources would be requested through the appropriation process. The department could receive additional revenues in the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund if some portion of the demand for intoxicating cannabinoids that is currently met by the unregulated market transitions to the regulated cannabinoid market. However, there is no data available on which to estimate that potential increase in revenue.

In order to calculate such an increase, it would be important to know the current demand and revenue associated with unregulated intoxicating cannabinoids in Missouri, which has not been tracked over the years that market has been growing in Missouri. If that data was available, it would then be important to consider what demand and associated revenue for unregulated cannabinoid products may transfer to the regulated market verses transferring to non-intoxicating product markets, to the hemp-derived consumable beverage market established in this same bill, to no market at all, or to illicit market products. There is no good data regarding those market choices, either, at this time. It is therefore assumed that **the impact on revenue arising from the move from the unregulated market to the regulated market is unknown.**

Oversight does not have any information to the contrary. However, Oversight notes § 144.028.3 states as follows:

The revenue derived from the two percent rate levied under this section shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs.

Although **DHSS** indicates they expect "\$0 to Unknown" income to the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund, as these funds are not specifically mentioned in the proposal and funds will also be diverted to other programs, **Oversight** will not show income into these two funds for this agency for fiscal note purposes.

Oversight notes the following activity for the two funds:

	<u>Balance at 12/31/24</u>	<u>Receipts in FY 24</u>
Veterans Health and Care Fund (0606)	\$16,212,250	\$738,483
Veterans Health Comm. Reiv. Fund (0608)	\$77,362,733	\$8,294,559

§§ 195.2555 and 195.2560 – Fines and licensing fees for certain hemp-derived consumables

Oversight notes §§ 195.2555 and 195.2560, detail the manner in which certain hemp-derived consumable beverage must be displayed as merchandise in a retail establishment, including an indication that such consumables are for sale only to persons 21 years of age or older. Any person in violation of these provisions will be fined not more than \$200, with subsequent violations classified as a class D misdemeanor.

The Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (ATC) must issue licenses for the manufacture and sale of hemp-derived consumables, and any entity or person engaged in the business of manufacturing or selling of such products that does not have a valid license will be fined not more than \$250.

Officials from the **DPS, ATC** state new subsection 195.2555.4 creates a fine not to exceed \$250 for the first violation of this section, and any second or subsequent violation shall be a class D misdemeanor. With limited escalation in fine and/or criminal penalty attached, there is little deterrent to selling without a license. **The division cannot quantify how many individuals or businesses will violate the laws in this section, so the revenues from such have not been estimated.** Any fines collected under this subsection will be deposited into the state school moneys fund.

New subsection 195.2555.5 requires the division to conduct inspections at locations where such products are sold or distributed. This will require the division to increase staffing to be able to conduct and track these inspections.

New subsection 195.2560.2 creates a fine not to exceed \$250 for any person or entity engaging in the manufacturing or selling of hemp-derived consumable beverage products in Missouri without a valid license. **The division cannot quantify how many unlicensed persons or entities will manufacture or sell these products, so the revenues from such have not been estimated.** Unlike subsection 195.2555.4, this subsection does not identify where fines collected under this subsection will be deposited.

New subdivision 195.2560.4(2) provides for a license fee of \$500 for a new manufacturer or distributor license, and a license fee of \$250 for a new retailer license for a maximum of \$2,500 for an entity with multiple locations (maximum of 10 locations pay license fee). Manufacturers and distributors are only required under subsection 195.2560.3 to obtain one license, no matter how many locations they operate out of. Current manufacturers are estimated at 150 in Missouri ([Missouri cannabis manufacturing rises, hemp struggles | Cannabis | missouribusinessalert.com](#)). This could include some of the 407 licensed alcohol manufacturers in Missouri.

ATC estimates that there could be half the number of hemp beverage manufacturers as liquor manufacturers. It is estimated there will be 204 new hemp beverage manufacturer locations ($407 * 0.5$). Around 10% of alcohol manufacturers hold multiple licenses for multiple locations, and hemp beverage manufacturers will not be required to hold separate licenses, so the total license count for manufacturers is estimated at 184 ($204 * 0.9$) for a total collection of \$92,000 ($184 * \500).

There was no estimate found for current distributors. There are 274 alcohol distributors in Missouri which ATC estimates will be half the number of hemp beverage distributors. It is estimated that there will be 137 new hemp beverage distributor locations ($274 * 0.5$). Around 12% of alcohol distributors hold multiple licenses for multiple locations, and hemp beverage distributors will not be required to hold separate licenses, so the total license count for distributors is estimated at 121 ($137 * 0.88$) for a total collection of \$60,500 ($121 * \500).

Current hemp retailers (not necessarily hemp beverages) are estimated at 9,000 in Missouri ([‘Hemp sales are back on’ in Missouri after regulators limit governor's ban on THC products | STLPR](#)). It is unknown how many of these businesses sell/intend to sell hemp beverages. Since it is unknown, ATC estimates that half of the licensed alcohol retailers will obtain a hemp beverage retail license. There are 13,423 alcohol retailers licensed in Missouri, so ATC estimates there will be 6,712 new hemp beverage retailer licenses ($13,423 * 0.5$ - roughly 75% of the estimated 9,000 hemp retailers in Missouri). This section provides that a retailer with multiple locations cannot be charged for more than 10 licenses. This will drastically impact collections for retail licensing. One example would be Casey’s General Stores which holds 360 individual alcohol retailer licenses. If Casey’s is a licensed hemp product retailer, they will only have to pay for 10 of their 360 licenses (meaning 350 would be processed at no cost, with a net loss of \$87,500 in licensing fees ($350 \text{ no-cost licenses} * \$250 \text{ uncharged fee} = \$87,500 \text{ net loss for one retailer}$)).

There are 67 alcohol retailers with more than 10 locations, ranging from 11 to 557 locations (five with 120+ locations), and ATC believes it will be the case with hemp beverage retailers, which ATC estimates could reduce the license count on which fees can be collected by 18.84%. ATC estimates that there will be 5,448 new hemp beverage retailer licenses ($6,712 * 0.8116$) that will pay a license fee for a total collection of \$1,362,000 ($5,448 * \250), and an estimated 1,264 licenses that will be processed and issued with no fee. This will be very challenging for the division to manage what retail licenses get charged a fee and when to stop charging a fee. The total estimated collections for new manufacturer, distributor, and retailer hemp beverage licenses are:

\$92,000 from hemp beverage manufacturer licenses
\$60,500 from hemp beverage distributor licenses
+ \$1,362,000 from hemp beverage retail licenses
\$1,514,500 total estimated collections from additional licensing

New subsection 195.2560.5 provides for an annual license renewal fee of \$250 for a manufacturer or distributor license, and a license renewal fee of \$100 for a retailer license for a maximum of \$2,500 for an entity with multiple locations (maximum of 25 locations pay license fee). The renewal fee for manufacturers and distributors is half the initial license fee, so the estimated renewal fee collections for manufacturers and distributors are \$76,250 ($(184 * \$250) + (121 * \$250)$). The renewal fee for retailers is 40% of the initial license fee.

Additionally, entities with multiple locations will pay renewal fees on up to 25 locations as opposed to the 10 locations that pay the initial license fee. Again, this will be challenging for the division to manage what licenses get charged a fee and when to stop charging a fee, especially since the initial license count with a fee will be different than the renewal license count with a fee. There are 30 alcohol retailers with more than 25 locations, which using the same estimations for initial retail licenses would increase the retail license renewal count from 5,448 to 5,787 that will pay a renewal fee for a total collection of \$578,700 ($5,787 * \100), and an estimated 925 licenses that will be processed and renewed with no fee. Total estimated collections for manufacturer, distributor, and retail license renewals are: \$654,950 ($\$76,250 + \$578,700$).

\$46,000 renewals from manufacturer licenses
\$30,250 renewals from distributor licenses
+ \$578,700 renewals from retail licenses
\$654,950 total estimated collections from renewals

New subsection 195.2560.6 provides that the division may deny or revoke a license for violations of §§ 195.2550 to 195.2635, or the rules promulgated thereunder. There are no options available for the division to warn, probate, fine, or suspend a license for violations. Denials and revocations would directly impact the businesses who have their license denied or revoked, as they would not be able to manufacture or sell hemp beverage products. This would also impact the Attorney General's Office as those that are denied or revoked would likely appeal the decision to the Administrative Hearing Commission.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DPS, ATC.

Officials from the **Department of Revenue (DOR)** state this proposal attempts to regulate the hemp-derived consumable product industry. This proposal defines a hemp-derived consumable product as a finished good that is intended for human ingestion and contains at least one hemp-derived cannabinoid. A hemp-derived cannabinoid is defined as a compound found in hemp.

This proposal establishes rules for the licensing and selling of these hemp-derived consumable products and beverages. The regulation is to be done by the Department of Health and Senior Services (DHSS) Section 195.2560.9 requires that all fees collected by DHSS be transferred to DOR for deposit. Most fees collected by DHSS are handled in this manner and therefore, this can be done with existing resources by DOR.

Oversight does not have any information to the contrary. Oversight this proposal requires DPS, ATC to collect and remit fees to DOR. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR for this section.

Officials from the **Department of Corrections (DOC)** state § 195.2555 prescribes the offenses of:

Selling or distribute a hemp-derived consumable beverage product to a person whom is under 21;
Purchase a hemp-derived product on behalf of a person under 21; and
Entice or persuade an under 21 person to acquire a hemp-derived consumable beverage product.

These offenses are to be subjected to a fine not to exceed two hundred fifty dollars for the first violation or a Class D misdemeanor for any second or subsequent offense.

As misdemeanors fall outside the purview of the Department of Corrections, the legislation in this section will have no impact on the department.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DOC for this section.

In response to similar legislation from the current session (HCS for HB 593), officials from the **Office of Administration - Budget and Planning** stated § 195.2555 prohibits the sale, distribution of hemp-derived consumable beverage products to persons under twenty-one years of age, prohibits the sale or distribution of hemp-derived consumable beverage products in certain locations, and prohibits persons under twenty-one years of age from attempting to purchase hemp-derived consumables beverage products.

Violations of these provisions will result in a \$250 fine or class D misdemeanor. It is unknown how many violations may occur annually under these provisions or the fines that may be imposed per occurrence. Therefore, this provision may increase Total State Revenue by an unknown amount beginning on August 28, 2025.

Section 195.2560 requires persons or entities that manufacture, distribute, or sell hemp-derived consumable beverage products to obtain an annual license. The number of persons or entities who will apply for licensure under this section is unknown; therefore, this provision may increase Total State Revenue by an unknown amount beginning on August 28, 2025. Further, Section 195.2560 provides that persons or entities who manufacture, distribute, or sell hemp-derived consumable beverage products without the aforementioned license shall be subject to a fine not to exceed \$250. It is unknown how many violations may occur annually under these provisions or the fines that may be imposed per occurrence. Therefore, this proposal may increase Total State Revenue by an unknown amount beginning on August 28, 2025.

Oversight notes that violations of § 195.2555 and § 195.2560 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines vary widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

In response to similar legislation from the current session (HCS for HB 593), officials from the **Missouri Office of Prosecution Services (MOPS)** state there is no measurable fiscal impact to OPS. The enactment of a new crime [195.2555.4] creates additional responsibilities for county prosecutors and the circuit attorney which may in turn result in additional costs which are difficult to determine.

§ 195.2565 – Rule promulgation and testing of hemp-derived consumable products

Officials from the **Department of Health and Senior Services (DHSS)** state Section 195.2565.2 requires the department to promulgate rules on the testing of hemp-derived consumable beverage products.

To promulgate and maintain testing rules for intoxicating hemp-derived consumable beverages, the department will require an additional team to fulfill these requirements.

Section 195.2565.2 states: Before April 1, 2026, the department shall promulgate rules on the testing of hemp-derived consumable beverage products.

DHSS will require the following to fulfill these requirements:

- Two (2) Compliance Inspectors (Research Scientist) with an annual salary of \$75,936 will be needed to research, write, promulgate and maintain standards and rules for intoxicating hemp-derived consumable beverages in accordance with section 195.2565.2. Compliance Inspectors are assumed to be hybrid staff with minimal travel to meetings or training.
- One (1) Compliance Inspection Supervisor with an annual salary of \$79,733. The Compliance Inspection Supervisor is assumed to be in office staff with minimal travel to meetings or training.
- One (1) Legal Counsel with an annual salary of \$85,000 will be needed for testing standards and rule litigation.
- One (1) Paralegal with an annual salary of \$60,408 will be needed to assist with pending claims and litigation matters.
- One (1) Lead Administrative Assistant with an annual salary of \$46,152 will be needed to assist with administrative functions. The Lead Administrative Assistant is assumed to be in office staff with minimal travel to meetings or training.

For reference, the following are the current rules that would prohibit all or nearly all of the unregulated intoxicating cannabinoid products currently selling in Missouri.

- 19 CSR 100-1.170(2) Manufacturing licensee requirements. In addition to this chapter's requirements for licensed facilities and licensees, manufacturing licensees shall also comply with the following:
 - o (E) Any tetrahydrocannabinol, such as THC-A, Delta- 8, or Delta-10, in a marijuana product manufactured by a manufacturing licensee shall only be derived from marijuana cultivated in Missouri by a licensed cultivator; and
 - o (F) Manufactured product may not contain chemical modification, conversion, or synthetic derivation of cannabinoids to produce intoxicating cannabinoid isomers, including those created by heat or other process during use by a patient or consumer, and all cannabinoids acquired from entities other than marijuana facilities for purpose of inclusion in marijuana product must be accompanied by a Certificate of Analysis at time of acquisition that identifies the testing lab that tested the product and lists the product's ingredients.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DHSS.

§ 195.2600 and § 195.2607 – Registration, testing and inspections

Officials **DPS**, **ATC** state § 195.2600 requires all brands distributed or available for distribution in the state to be registered with the division. ATC is currently building an online licensing system for liquor licensing with an outside vendor. In addition to licensing configuration, functionality will need to be incorporated into the alcohol brand registration system, which is estimated to cost approximately \$250,000.

ATC has several licensing and brand registration reports available on the ATC website from data.mo.gov that allows cities and counties to see who has an active liquor license, helps licensees know that they are transacting with active licensees, and shows all registered products in the state. ATC anticipates the need to have similar reports available for hemp beverage licensees. The division would work with the licensing vendor to create these reports but would also need ITSD to integrate these reports into data.mo.gov and make them available on the ATC website. ATC estimates that building these reports could be as much as \$12,000.

Additional staff will also be required to manage the processing of all brand registrations.

New § 195.2607 requires the division to conduct randomized inspections, and periodically sample, analyze, and test hemp-derived consumable beverage products distributed in the state. The division is not equipped to do such testing and would have to pay the proper entity to conduct the testing of samples collected by the division. The cost for this testing is unknown but is anticipated to be a significant cost.

Following is the specific breakdown of the additional staff that will be needed for a total cost of \$1,133,450:

- 9 - Special Agents – Total salary of \$540,000 (\$60,000 * 9) - Special Agents will be the key contact people for licensees to direct their questions and application problems. Agents will review all license applications, investigate violations, and enforce all statutes and regulations as authorized by this bill. This would equate to approximately 745 licensees per agent. Two agents will be located in Jefferson City central office and Kansas City and Springfield district offices, and 3 in the St. Louis district office.

- 2 - District Supervisors – Total salary of \$140,000 (\$70,000 * 2) - The District Supervisor will supervise the licensing and enforcement in their territory. There will be 1 located in the St. Louis and 1 in the Kansas City district offices.

- 4 - Administrative Support Assistants – Total salary of \$166,000 (\$41,500 * 4) - Two Administrative Support Assistants will be assisting in the large amount of clerical work related to the implementation and ongoing licensing of hemp beverage businesses, to include processing licenses, data entry, tracking statistics, and facilitating the composition of reports, and administrative responsibilities related to disciplinary action processes. Two Administrative Support Assistants will be responsible for processing all brand registration applications and changes. All five will be located in the Jefferson City central office.

- 1 - Administrative Support Professional – Salary of \$44,000 - The Administrative Support Professional will be the lead for brand registration and will ensure all requirements are adhered to. They will be located in the Jefferson City central office.

- 1 - Licensing and Compliance Supervisor – Salary of \$66,000 - The Licensing and Compliance Supervisor will assist in the review and approval of license applications and manage reporting. They will be located in the Jefferson City central office.

- 1 - Hemp Beverage Program Coordinator – Salary of \$75,000 – The Hemp Beverage Program Coordinator will supervise the licensing and enforcement of the hemp beverage program. They will be located in the Jefferson City central office.

Current ATC staff that will need to dedicate time to the start-up of this program:

- State Supervisor - \$22,102 - 20% of time dedicated to the hemp beverage program overseeing hemp beverage program and developing/maintaining regulations.
- Chief of Enforcement - \$17,750 - 20% of time dedicated to the hemp beverage program performing disciplinary duties and developing/maintaining regulations.
- Deputy Chief of Enforcement - \$15,493 - 20% of time dedicated to the hemp beverage program performing disciplinary duties and developing/maintaining regulations.

Director of Finance and Compliance - \$17,206 - 20% of time dedicated to the hemp beverage program managing financials, budget, legislation, and developing/maintaining regulations.
Legal Counsel - \$16,000 - 20% of time dedicated to the hemp beverage program providing legal counsel and developing/maintaining regulations.
Administrative Support Professional - \$7,369 - 15% of time dedicated to the hemp beverage program handling all financials and purchasing.
HR Generalist - \$6,529 - 15% of time dedicated to the hemp beverage program processing payroll and performing other personnel duties.

Equipment and Expense – Total equipment and expense is \$1,623,999 for the first year with \$1,107,875 being one-time costs - Includes basic office equipment and law enforcement equipment, which includes firearms, ammunition, ballistic vest, vehicles, travel expenses, etc. See below:

Equipment:

Computer Equipment – \$28,386
Motorized Equipment – \$636,000
Office Equipment – \$50,524
Other Equipment – \$122,700

Expense:

Travel – \$30,000
Supplies – \$67,885
Professional Development – \$12,000
Communication Services and Supply – \$61,158
Professional Services – \$262,000 (Brand registration system and ITSD)
Maintenance & Repair – \$216,731
Miscellaneous – \$2,250
Leasing Expense - \$9,365
Capital Improvement Expense - \$125,000

This bill establishes the requirements for hemp beverage licensing, operations, enforcement, etc., which will require additional staff, additional space, equipment, and expenses. The division's executive staff and two others will also be involved in some functions of this bill such as establishing regulations, disciplinary actions, financials, payroll, and budget (shown above).

The bill also establishes the license fees for the hemp beverage licenses, which are to be deposited into the hemp business fund and used solely for the administration of these sections. With two agencies being responsible for different sections in this bill, it is assumed that a portion of the fees will be appropriated to DHSS and a portion to ATC. Whatever that portion would be for each agency, even if 100% of the estimated funds gets appropriated to ATC, it is not enough to cover the estimated annual expenses for the division.

The alcohol and tobacco control fund is comprised solely from 70% of liquor license fees and may only be used for the administration of chapter 311 and §§ 407.925 to 407.934, and any duties under such chapter and sections relating to licensing, training, technical assistance, and regulations (see 311.735, RSMo), and therefore could not be used for the administration of these sections. Even if the alcohol and tobacco control fund could be used, it could not support the hemp beverage program on a long-term basis. The division will have to request funding from the general revenue fund in order to fully administer this bill.

Oversight does not have information to the contrary. Oversight notes that **current DPS, ATC staff will be utilized to implement portions** of this proposal at a cost of \$211,712 in FY 2026, \$256,925 in FY 2027, and \$259,853 in FY 2028 and on-going for salary and fringe. Because DPS, ATC is already funded for these positions, **Oversight assumes costs for additional job duties assigned to existing DPS, ATC staff are absorbable.** Oversight will reflect the estimates for new staff, expenses and equipment, etc. as provided by DPS, ATC.

Responses regarding the proposed legislation as a whole

In response to a previous version, officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. However, the AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Department of Public Safety (DPS) - Missouri Veterans Commission (MVC)** state MVC believes the fiscal impact would be how much funding would be required to enforce this by DHSS. Thus decreasing the amount remaining available to MVC and the other two groups at the end of the funding trail. Impact would have to come from DHSS.

Officials from the **Department of Commerce and Insurance, the Department of Elementary and Secondary Education, the Department of Labor and Industrial Relations, the Department of Mental Health, the Department of Natural Resources, the Department of Public Safety – Director’s Office, Missouri Highway Patrol, the Department of Social Services, the Missouri Department of Transportation, the MoDOT & Patrol Employees’ Retirement System, the Missouri Department of Agriculture, the Office of Administration (OA), the OA - Administrative Hearing Commission, the Office of the State Public Defender, the State Tax Commission, the City of Kansas City, the Kansas City Police Department, the Newton County Health Department, the Phelps County Sheriff’s Department, the County Employees Retirement Fund, the Kansas City Public School Retirement System, the Kansas City Civilian Police Employees’ Retirement, the Kansas City Police Retirement System, the Public Education Employees’ Retirement System, the Sheriff’s Retirement System, the St. Louis County Police Department, Northwest Missouri**

State University, and the **University Of Central Missouri**, each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Branson Police Department** state they anticipate an increase in driving under the influence of these products, which will result in their agency having to respond to more accidents and arrest more intoxicated drivers as a result of legalizing THC infused beverages. Just like alcohol intoxication can "sneak up" on people, these beverages will do the same. Although one beverage does not contain enough THC to cause intoxication, digestion takes longer and the "buzz" cannot be immediately felt like smoking THC. Thus, it will be common for people to consume 2, 3 or more of these drinks before they start to feel anything. When driving, this will put them at the equivalent of a .13 or greater BAC of alcohol. If they had to estimate, their agency would see enough impact that they'd use the equivalent of two full time officers to handle the increased call load so their costs will be around \$200,000 per year in salary and benefits. Fatal and serious accidents will also increase by approximately 2 to 4 per year, costing around \$20,000 in extra overtime, accident reconstruction and courtroom testimony.

Oversight will show an unknown cost to locals based on the Branson Police Department's response.

In response to a previous version, officials from, the **Office of the State Treasurer**, the **Metro St. Louis Sewer District Employees Pension Plan**, and the **Rock Community Fire Protection District Retirement Plan** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from the current session (HCS for HB 593), officials from the **Office of the State Courts Administrator** and the **Branson Police Department** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, county commissioners, local public health agencies, nursing homes, county clerks, sheriffs' departments, police departments, ambulance districts, schools, hospitals and colleges were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Income</u> – DOR (§ 144.028 and § 195.2617) 2% Tax levy p. 3	<u>\$852,493</u>	<u>\$1,136,657</u>	<u>\$1,136,657</u>
<u>Costs</u> – DOC (§ 195.800) – New penalties for medical marijuana information disclosure	<u>(\$8,737)</u>	<u>(\$21,389)</u>	<u>(\$21,817)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$843,756</u>	<u>\$1,115,268</u>	<u>\$1,114,840</u>
HEMP BUSINESS FUND			
<u>Income</u> – DPS, ATC (§§ 195.2555 to 195.2565) licensing fees	\$1,514,500	\$654,950	\$654,950
<u>Costs</u> – DPS, ATC (§§ 195.2555, 195.2600 and 195.2607)			
Personal service	(\$859,167)	(\$1,051,620)	(\$1,072,652)
Fringe benefits	(\$581,234)	(\$705,745)	(\$714,175)
Equipment and expense	(\$600,999)	(\$488,852)	(\$498,629)
Motorized equipment	(\$636,000)	\$0	\$0
Capital Improvement	(\$125,000)	\$0	\$0
Licensing and brand registration software p.	<u>(\$250,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
Total Costs – DPS, ATC	(\$3,052,400)	(\$2,246,217)	(\$2,285,456)
FTE Changes	18	18	18
<u>Costs – OA, ITSD/ATC (§§ 195.2555 to 195.2565) To add reports to the ATC website</u>	(\$12,000)	\$0	\$0
<u>Costs – DHSS (§ 195.2565)</u>			
Personal service	(\$352,638)	(\$431,628)	(\$440,261)
Fringe benefits	(\$220,297)	(\$267,749)	(\$271,209)
Equipment and expense	(\$81,386)	(\$46,546)	(\$47,477)
ISO 17025 Audit training	(\$3,900)	\$0	\$0
ISO 17025 Standards training	(\$1,200)	\$0	\$0
Total <u>Costs</u> - DHSS	(\$659,421)	(\$745,923)	(\$758,947)
FTE Changes	6	6	6
ESTIMATED NET EFFECT ON THE HEMP BUSINESS FUND	<u>(\$2,209,321)</u>	<u>(\$2,337,190)</u>	<u>(\$2,389,453)</u>
Estimated Net FTE Change on the Hemp Business Fund	24	24	24

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL SCHOOL DISTRICTS			
<u>Cost – local law enforcement - increase in driving under the influence</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Income – (§§ 195.819, 195.2555 and 195.2560) – Civil penalties</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

The proposed legislation places hemp-derived intoxicating cannabinoids under framework of Article XIV and associated rules. Any small businesses currently producing or selling these products outside of the regulatory framework would no longer be able to do so. (§ 195.900)

FISCAL DESCRIPTION

RECORDS OF INDIVIDUAL INFORMATION OF CERTAIN PERSONS

Under this act, no state agency or state employee shall disclose any personally identifying information of persons who have applied for or obtained a qualifying patient identification card, a qualifying patient cultivation identification card, or primary caregiver identification card for medical marijuana to the federal government or any federal employee, or other unauthorized third party. Any person who knowingly violates this act shall be guilty of a Class E felony.

Under this act, no marijuana dispensary selling marijuana, marijuana-infused products, or intoxicating cannabinoids to end user consumers shall create or retain any record containing a consumer's identifying information upon the consumer's written request. This provision shall not apply to any constitutionally-mandated record-keeping requirements relating to qualifying patients and primary caregivers. Dispensary facilities that violate the provisions of this act shall be assessed a \$500 fine per occurrence. (Sections 195.800 and 195.819)

THE "INTOXICATING CANNABINOID CONTROL ACT"

This act establishes the "Intoxicating Cannabinoid Control Act". Under this act, intoxicating cannabinoid products shall be considered as marijuana and regulated as marijuana is regulated by the Department of Health and Senior Services under the Missouri Constitution. The Department shall collaborate with the Department of Public Safety to enforce these provisions.

Hemp, industrial hemp, hemp-derived consumable beverage products, and hemp-derived products containing no intoxicating cannabinoids shall not be subject to regulation under these provisions.

No person or entity engaged in the sale of cannabidiol (CBD), hemp, marijuana, cannabinoids, or intoxicating cannabinoids, or related paraphernalia, other than a comprehensive or medical marijuana dispensary facility or a microbusiness dispensary facility, shall carry on, conduct, or transact business under a name that contains as part of the name the word "dispensary". (Section 195.900)

THE "HEMP-DERIVED CONSUMABLE BEVERAGE PRODUCTS ACT"

This act establishes the "Hemp-Derived Consumable Beverage Products Act". This act regulates the manufacture, distribution, sale, and purchase of hemp-derived consumable beverage products in Missouri. Under this act, a person shall not knowingly:

- Sell or distribute a hemp-derived consumable beverage product to a person under 21 years of age;
- Purchase such product on behalf of a person under 21 years of age;
- Persuade, entice, send, or assist a person under 21 years of age to acquire such product;
- Distribute free samples of such products in or on a public street, sidewalk, or park;
- Sell such products in or on a public street, sidewalk, or park without obtaining a temporary event permit from the Division of Alcohol and Tobacco Control of the Department of Public Safety;
- Sell or distribute such product without first obtaining proof of age, as specified in the act;
- Purchase, possess, or accept such product while under 21 years of age; or
- Present false or fraudulent proof of age to obtain such product.

Retailers selling hemp-derived consumable beverage products shall sell such products in a way that indicates to consumers that the products contain hemp-derived cannabinoids and are to be sold only to persons 21 years of age or older.

Any person who violates these provisions shall be subject to a fine of not more than \$250 for the first violation and a class D misdemeanor for any second or subsequent violation. The Division shall enforce these provisions, as specified in the act.

The purchase, possession, consumption, use, manufacture, transportation, or distribution of hemp-derived consumable beverage products in accordance with this act shall be lawful.

Any person or entity that is in the business of hemp-derived consumable beverage products in this state, including any manufacturer, distributor, or retailer, shall obtain a license from the Division, as specified in the act, or be subject to a fine not to exceed \$250. The license shall be location specific for retailers. The license shall be valid for one year and may be renewed annually.

This act creates the "Hemp Business Fund", consisting of license application and renewal fees collected by the Division. The fund shall be used for the administration of this act.

Hemp-derived consumable beverage products shall be tested in a process overseen by the Department of Health and Senior Services. Hemp-derived consumable beverage products offered for distribution or sale in Missouri shall bear labels containing specified information, including the amount of any advertised cannabinoids in milligrams, as well as certain statements of risk and a best-by date. Labels shall not have likeness or resemblance to a human, animal, cartoon character, or fictional character and shall include a quick response code with further information. The provisions of this act shall not be construed to permit a person to undertake any task while impaired by the use of a hemp-derived consumable beverage product if doing so would constitute negligence or professional malpractice. A person shall not drive a vehicle on a public road while consuming such product and shall not possess an open container while driving on a public road. Employers shall not be required to accommodate the use of such products in the workplace or an employee working while under the influence of such products.

Hemp-derived consumable beverage product manufacturers may assign exclusive territories for distribution of their beverage products. Any person, cooperative, or business any one of the three types of licenses under this section, manufacturer, distributor, or retailer, shall not hold either of the other two types of licenses, except as otherwise described in the act.

Each manufacturer shall register its hemp-derived consumable beverage products distributed or available for distribution in Missouri with the Division, as specified in the act.

All retail establishments and food service establishments offering hemp-derived consumable beverage products shall be licensed by the Division and such products may be sold in such establishments if the product has been registered with the Division. On-premises retailers or food service establishments may offer such products at a temporary event if the establishment is licensed by the Division and obtains a temporary event permit from the Division.

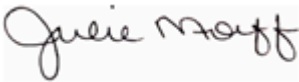
Finally, for all tax years beginning on or after January 1, 2026, an excise tax is hereby levied and imposed on the retail sale of hemp-derived consumable beverage products to consumers at a rate of 2% of the retail purchase price paid or charged, in addition to any other tax imposed under federal, state, or local law. The revenue from this tax shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs. (Sections 144.028 and 195.2540 to 195.2620)

This legislation is not federally mandated and would not duplicate any other program. It would require additional capital improvements and rental space.

SOURCES OF INFORMATION

Administrative Hearing Commission
Attorney General's Office
Budget and Planning
Department of Commerce and Insurance
Department of Corrections
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
 Director's Office
 Division of Alcohol and Tobacco Control
 Missouri Highway Patrol
 Missouri Veterans Commission
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules

Missouri Department of Agriculture
Missouri Department of Transportation
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
University of Missouri System
City of Kansas City
Newton County Health Department
Phelps County Sheriff's Department
Branson Police Department
Kansas City Police Department
St. Louis County Police Department
County Employees Retirement Fund
Kansas City Civilian Police Employees' Retirement
Kansas City Police Retirement System
Kansas City Public School Retirement System
Metro St. Louis Sewer District Employees Pension Plan
Public Education Employees' Retirement System
Sheriff's Retirement System
Northwest Missouri State University
University of Central Missouri



Julie Morff
Director
February 26, 2025



Jessica Harris
Assistant Director
February 26, 2025